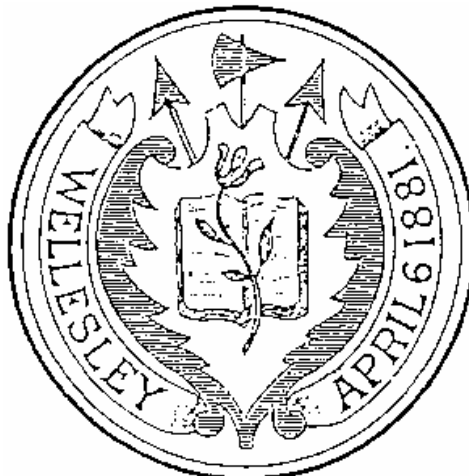


TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2005



On the cover: The Isaac Sprague (1860-1934) Memorial Clock Tower, which was constructed to resemble the famous Venetian Campanile in Venice, Italy.

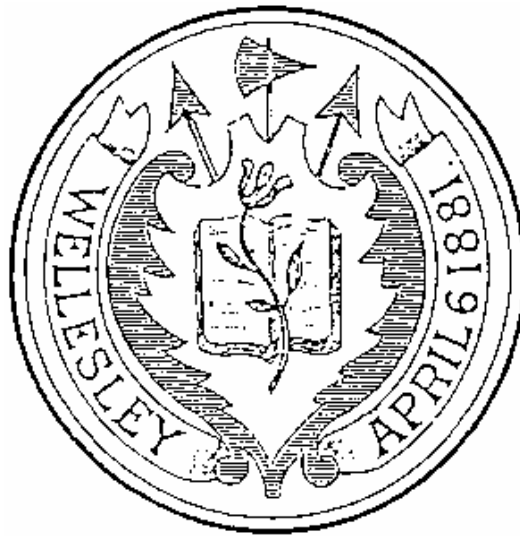


Pictured above is the newly constructed Wellesley Free Library.

TOWN OF WELLESLEY, MASSACHUSETTS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2005



Prepared by:

The Office of Financial Services

TOWN OF WELLESLEY, MASSACHUSETTS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2005

TABLE OF CONTENTS

Introductory Section.....	1
Letter of Transmittal.....	3
Certificate of Achievement for Excellence in Financial Reporting.....	7
Organization Chart.....	8
Principal Town Officials	9
Financial Section	11
Independent Auditors' Report.....	13
Management's Discussion and Analysis	15
Basic Financial Statements	26
Statement of Net Assets.....	27
Statement of Activities.....	28
Governmental Funds – Balance Sheet	30
Reconciliation of the Governmental Funds Balance Sheet Total Fund Balances to the Statement of Net Assets.....	31
Governmental Funds – Statement of Revenues, Expenditures and Changes in Fund Balances	32
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	33
Proprietary Funds – Statement of Net Assets.....	34
Proprietary Funds – Statement of Revenues, Expenses and Changes in Fund Net Assets	35
Proprietary Funds – Statement of Cash Flows	36
Fiduciary Funds – Statement of Fiduciary Net Assets	37
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets.....	38
Notes to Basic Financial Statements	39
Required Supplementary Information.....	65
Schedule of Revenues, Expenditures and Changes in Fund Balance – General Fund – Budget and Actual	66
Notes to Required Supplementary Information	68
Combining Statements	70
Nonmajor Funds.....	71
Internal Service Funds	76

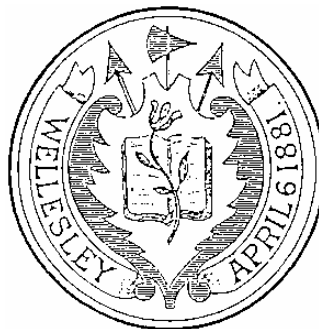
Fiduciary Funds.....	80
Statistical Section.....	83
Net Assets by Components.....	84
Changes in Net Assets.....	85
Fund Balances, Governmental Funds.....	86
Changes in Fund balances, Governmental Funds.....	87
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates.....	88
Principal Taxpayers.....	89
Property Tax Levies and Collections.....	90
Ratio of Outstanding Debt and General Bonded Debt.....	91
Direct and Overlapping Governmental Activities Debt.....	92
Computation of Legal Debt Margin	93
Demographic and Economical Statistics.....	94
Principal Employers.....	95
Full-time Equivalent Town Employees by Function	96
Operating Indicators by Function/Program	97
Capital Assets Statistics by Function/Program	98

This page left intentionally blank.

Introductory Section



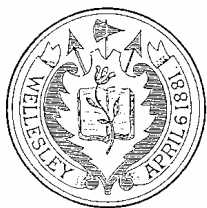
Wellesley Town Hall is one of the five properties in the Town listed on the National Register of Historic Places.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005**

Introductory Section

This page intentionally left blank.



Town of Wellesley

525 Washington Street
Wellesley, MA 02482

Letter of Transmittal

November 30, 2005

To the Honorable Board of Selectmen and Citizens of the Town of Wellesley:

State law requires the Town of Wellesley to publish at the close of each fiscal year a complete set of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) that are audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Town of Wellesley, Massachusetts, for the fiscal year ending June 30, 2005 for your review.

This report consists of management's representations concerning the finances of the Town. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the Town has established a comprehensive internal control framework that is designed both to protect the Town's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Town's financial statements have been audited by Powers & Sullivan, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion on the Town's financial statements for the fiscal year ended June 30, 2005, and that they are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the Town was part of a broader, federally mandated "Single Audit" designed to meet the special needs of Federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of Federal awards. These reports are available in the Town's separately issued Single Audit Report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to compliment MD&A and should be read in conjunction with it. The Town's MD&A can be found immediately following the report of the independent auditors.

Profile of the Town

The Town of Wellesley was incorporated in 1881 and is located in Norfolk County. It is approximately 15 miles west of Boston and is bordered by Natick on the west, Weston and Newton on the north, Needham on the east and southeast, and Dover on the south. It is approximately 10.51 square miles in area and, according to the 2000 Federal census figures, has a population of 26,632 persons.

The main highways serving the Town are State Routes 9, 16, 135, 128 and the Massachusetts Turnpike. The Massachusetts Bay Transportation Authority (MBTA) provides railroad services to Boston and Framingham.

The Town operates under the Representative Town Meeting form of government with public officers serving as ex-officio members of the town meeting. The legislative body consists of 240 members elected by precincts. Administrative affairs are managed by a five member Board of Selectmen, with the assistance of an executive director.

The administration of the general government is the responsibility of the five-member Board of Selectmen; local school affairs are administered by the five-member School Committee; public works are administered by a three-member Board of Public Works; the Municipal Light Plant is administered by the five-member Municipal Light Board that is comprised of the three-member Board of Public Works and two members appointed by the Board of Selectmen; and library affairs are administered by a six-member Board of Library Trustees.

Municipal Services

The Town provides general governmental services within its boundaries including public education in grades kindergarten through twelve, police and fire protection, collection and treatment of sewage, water distribution, electric services, public works, streets, parks and recreation, veteran's services, health and sanitation, and libraries. The water and sewer enterprise funds are self-supporting. The Town maintains a solid waste recycling and disposal facility.

The Town owns and operates a self-supporting municipal light plant. The Municipal Light Board carries out the responsibilities of the Municipal Electric Commissioners as dictated by Massachusetts General Laws, Chapter 164.

Factors Affecting Economic Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the Town operates.

The Town continues to reflect a strong economic condition. The per capita income is significantly higher than state averages, and the unemployment rate has always been extremely low. The Town remains a very desirable community given its close proximity to Boston and quality of services provided. The residential sales market has been very strong, reflecting the solid interest in the community.

Wellesley is home to urban professionals whose wealth levels are among the highest in the Commonwealth. Median family incomes of approximately \$135,000 and per capita of approximately \$53,000 are 212% and 204% of state values, respectively. Relative wealth is also seen in the owner occupied median housing value, which, at \$799,000 is more than twice that of the state and four times that of the nation. Although the Town is 86.5% residential, commercial activity is diversified and the presence of Wellesley College and Babson College provide for a low unemployment rate and economic stability.

The Town continues to manage its financial affairs in a prudent manner. It has maintained its “**excellent**” bond rating of Aaa by incorporating long range planning tools such as a Capital Improvement Program; maintaining reserve balances despite tight budgets; investing in technology to ensure efficient operations; and maintaining an aggressive pay as you go financing strategy for capital improvements.

The Town has also enhanced its revenue flexibility by establishing enterprise funds. This has allowed the Town to shift one hundred percent of the operating cost and capital improvements to the users of electric, water, and sewer services so that no tax support goes towards providing these services. All related debt is funded through user fees. By doing so the Town is able to provide the maximum tax dollars available to all other services.

Internal Controls

Management of the Town is responsible for establishing and maintaining an internal control structure designed to ensure the assets of the Town are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Executive Director is responsible for evaluating the adequacy and effectiveness of the internal control structure and implementing improvements.

Budgetary Controls

The Board of Selectmen are responsible for annually coordinating the preparation and maintenance of the Town’s Town-Wide Financial Plan. The Town-Wide Financial Plan is a sequenced combination of forecasts of the Town’s operating budget for the current fiscal year and for the next two following fiscal years. The Selectmen work with the various boards established within the Town to coordinate the preparation of a Town-wide budget for the upcoming fiscal year. This budget is then presented to the Annual Town Meeting by the Selectmen, together with any comments of the Advisory Committee.

The level of budgetary control is established by Town Meeting and this approval defines the level at which expenditures may not exceed appropriations. This level is typically at the individual department salary and expense level. The Town Accountant is responsible for ensuring all payroll and invoices are within the budgetary control level before authorizing payment. Additional appropriations may be approved at subsequent Town Meetings. The Advisory Committee, upon request by the Board of Selectmen, may approve during the year a transfer from a reserve fund established at Town Meeting. These controls ensure compliance with the budget approved by Town Meeting.

Cash Management

Cash management is handled by the Town Treasurer. The Town Treasurer monitors the Town’s cash flow and provides for the investment of Town funds. The Treasurer seeks to maximize the return on Town funds while maintaining adequate protection and liquidity of funds.

Quarterly tax billings and excellent collection rates have eliminated the need to borrow on a short term basis to maintain cash flow. The Town’s investment options are governed by Massachusetts General Laws and focus on safety, liquidity and yield.

Risk Management

The Town manages its risk through a combination of self-insured programs and premium based coverage with commercial insurance carriers. Workers compensation and unemployment activities are self-insured while exposures to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters are covered through policies purchased from commercial carriers. Third-party

coverage is maintained for individual workers' compensation claims in excess of \$250,000. In addition the Town administers a workers compensation internal service fund and has recorded its incurred-but-not-reported liability based on an annual actuarial valuation. Additional information on the Town's risk management activity can be found in the notes to the financial statements.

Pension and Other Post Employment Benefits

The Town contributes to the Wellesley Contributory Retirement System, a defined benefit pension plan administered by the Wellesley Contributory Retirement Board. An independent actuary engaged by the Board calculates the amount of the annual contribution that the Town must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As required by law, the Town fully funds each year's annual required contribution to the pension plan as determined by the actuary. The System is one of the few in Massachusetts that is fully funded.

The Town also provides post retirement health care benefits for certain retirees and their dependents. At June 30, 2005 there were 742 retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Recently the GASB issued Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement #45 Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which are required to be implemented in fiscal year 2009. The Town recognized early the need to provide for this benefit and Chapter 88 of the Acts of 2004 – An Act Authorizing the Town of Wellesley to Establish a Group Insurance Liability Fund was enacted that allows the Town to begin the process of funding the liability. As of June 30, 2005 the estimated liability has not been determined and no funding has been provided.

Additional information on the Town's pension and post employment benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Wellesley for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of a state and local government financial report.

In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

We would like to express our appreciation to all the members of the departments who assisted and contributed to the preparation of this report. Credit must also be given to the Town Selectmen for their unfailing support for maintaining the highest standards of professionalism in the management of the Town's finances.

Respectively submitted,



Hans Larsen
Executive Director of General Government Services

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Town of Wellesley,
Massachusetts

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

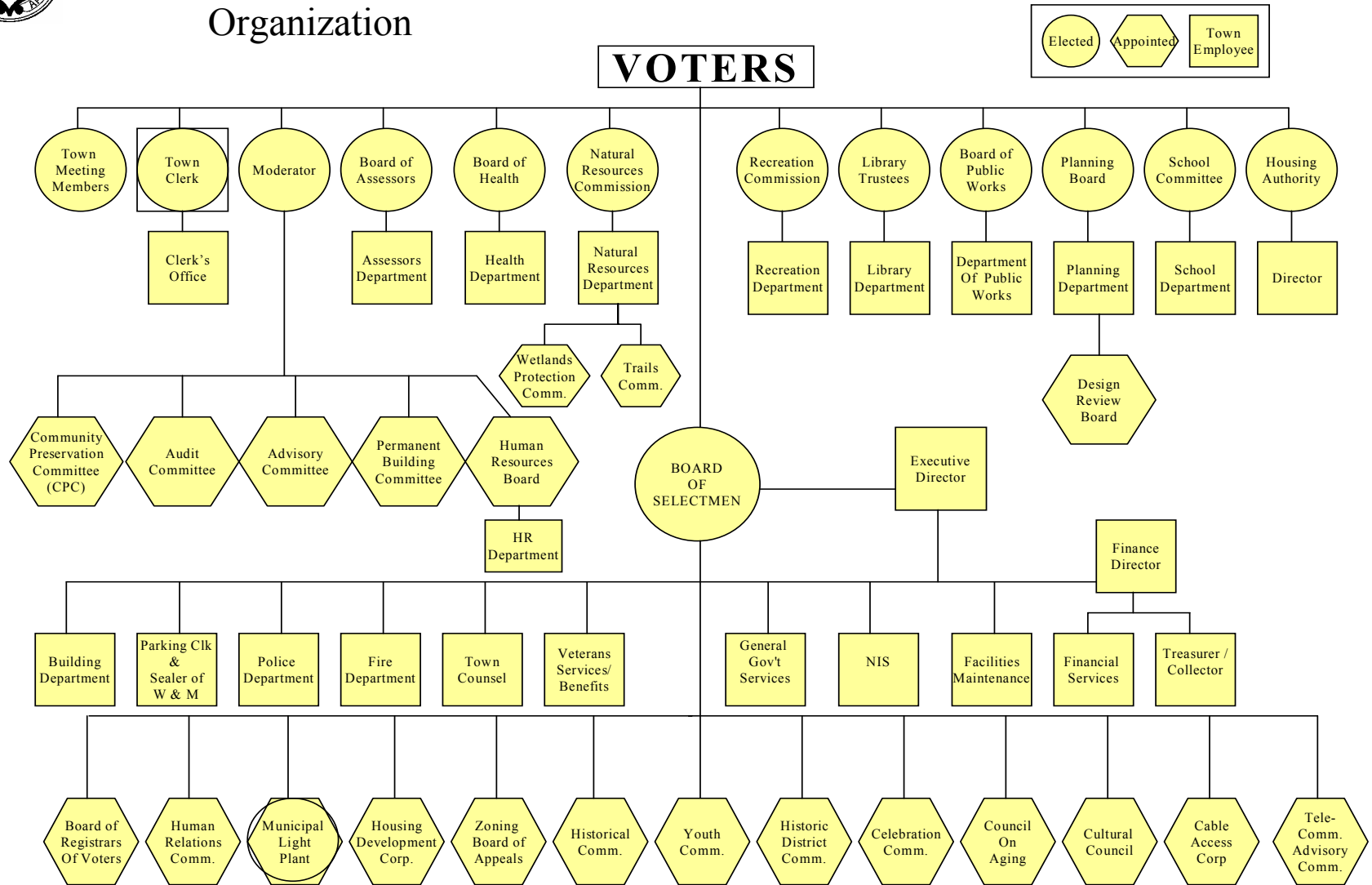
President

Jeffrey R. Enos

Executive Director



Wellesley Town Government Organization



Principal Town Officials

Elected Officials

Board of Selectmen

Harriet S. Warshaw, Chairperson
Vincent Juliani, Jr., Secretary
David J. Himmelberger
Katherine L. Babson, Vice Chair
Owen H. Dugan

Moderator
Town Clerk

Heather B. Sawitsky
Kathleen F. Nagle

School Committee

Susan C. Jablonski, Chairperson
Suzanne G. Littlefield, Secretary
Suzanne B. Newman, Vice Chair
Gerald G. Murphy
Anna G. Sereiko

Appointed Officials

Executive Director of General Governmental Services
Superintendent of Public Schools
Town Counsel
Acting Town Accountant
Chief Assessor
Treasurer/Collector
Fire Chief
Police Chief
Human Resources Director
Library Director
Public Works Director
Municipal Light Plant Manager

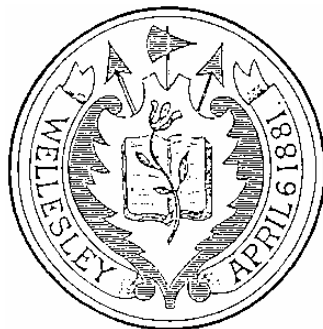
Hans Larsen
Dr. Matthew King
Albert S. Robinson
Michelle Cresta
Donna Lee McCabe
Marc V. Waldman
Kevin Rooney
Terrence M. Cunningham
Susan Adler
Janice G. Coduri
Michael Pakstis
Richard F. Joyce

This page left intentionally blank.

Financial Section



Pictured is Galen Hall of Wellesley College, a major institution of higher education that attracts students from all over the world.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005**

Financial Section

This page left intentionally blank.



100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditors' Report

To the Audit Committee
Town of Wellesley, Massachusetts

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of and for the fiscal year ended June 30, 2005 (except for the Wellesley Contributory Retirement System which is as of and for the year ended December 31, 2004), which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Wellesley, Massachusetts' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Wellesley, Massachusetts, as of June 30, 2005 (except for the Wellesley Contributory Retirement System which is as of December 31, 2004), and the respective changes in financial position and cash flows, where applicable, thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2005, on our consideration of the Town of Wellesley, Massachusetts' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The combining and individual fund statements and schedules, as listed in the table of contents, are presented for the purpose of supplementary analysis and are not a required part of the financial statements of the Town of Wellesley, Massachusetts. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financials statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Management's discussion and analysis, located on the following pages, and schedule of revenues, expenditures and changes in fund balance – general fund – budgetary basis, located after the notes to the basic financial statements, are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in cursive script that reads "Bowers + Sullivan".

November 30, 2005

Management's Discussion and Analysis

Management's Discussion and Analysis

As management of the Town of Wellesley, Massachusetts, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the Town of Wellesley for the fiscal year ended June 30, 2005. This is the third year our financial statements have been prepared under the Government Accounting Standards Board Statement No. 34 – Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. We encourage readers to consider the information presented in this report in conjunction with additional information that we have furnished in our letter of transmittal.

The Governmental Accounting Standards Board (GASB) is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements (such as investors and rating agencies) rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users (including citizens, the media, legislators and others) can assess the financial condition of one government compared to others.

Governments must adhere to GASB pronouncements in order to issue their financial statements in conformity with GAAP. The users of financial statements also rely on the independent auditor's opinion. If the Town's financial statements have significant departures from GAAP the independent auditors may issue a qualified opinion or a disclaimer (where no opinion is given). These types of opinions may have an adverse effect on the Town's bond rating and our ability to borrow money at favorable interest rates. The Town has enjoyed an unqualified opinion on its financial statements for many years.

Financial Highlights

- The government-wide assets of the Town of Wellesley exceeded its liabilities at the close of the most recent fiscal year by \$148 million (net assets).
- Of this amount, 23% or \$34.6 million (unrestricted net assets) may be used to meet the government's on-going obligations to citizens and creditors.
- At the close of the current fiscal year, the Town of Wellesley's general fund reported an ending fund balance of \$7,245,235, an increase of \$2,095,634 in comparison with the prior year. Total fund balance represents 8.2% of total general fund expenditures. Approximately \$4.4 million of this total amount is available for appropriation at the government's discretion.
- The Town of Wellesley's total governmental debt increased by \$13,540,000 during the current fiscal year. This was the net effect of \$3,750,000 in principal payments on debt and the issuance of \$17,290,000 in new debt primarily for school related projects.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town of Wellesley's basic financial statements. The Town's basic financial statements comprise three components: 1) government-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to private-sector businesses.

The statement of net assets presents information on all of the Town's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing or the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, public safety, public education, public works, health and sanitation, library, recreation, traffic and parking management, community preservation, interest, state and county charges, and other. The business-type activities include the activities of the sewer, water, and electric enterprise funds.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains three major governmental funds that are presented separately in the governmental fund financial statements. The remaining non-major funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Town adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. The Town maintains two types of proprietary funds.

Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Town uses enterprise funds to account for its sewer, water, and electric operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for sewer, water, and electric operations, all of which are considered major funds of the Town.

Internal service funds are an accounting device used to accumulate and allocate costs internally among various functions. The Town maintains an internal service fund to account for health insurance, self-insured worker's compensation, information technology services, fleet maintenance and fuel.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Wellesley, assets exceeded liabilities by \$147.7 million at the close of the fiscal year 2005.

Government-wide net assets of \$111.2 million (75%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town of Wellesley's net assets - \$1.9 million (1%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets - \$34.7 million (24%), may be used to meet the Town's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Town of Wellesley is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Details related to the Town's governmental and business-type activities follow.

Governmental activities. The governmental activities net assets decreased by (\$1.8) million during the current fiscal year as compared to an increase in net assets of \$27.1 million during the prior fiscal year. The key element of the change relates to the timing of school and library capital grants that were recognized as revenue in the prior year. In addition, educational expenses in the current year include a \$6.1 million charge relating to non-recurring grant activities as described below.

Governmental Activities Condensed Statement of Net Assets

	June 30, 2005	June 30, 2004
Assets:		
Current assets.....	\$ 46,763,493	\$ 28,766,913
Noncurrent assets (excluding capital).....	6,592,097	19,508,257
Capital assets.....	83,883,970	80,713,739
Total assets.....	137,239,560	128,988,909
Liabilities:		
Current liabilities (excluding debt).....	6,724,479	4,561,983
Noncurrent liabilities (excluding debt).....	1,088,250	1,091,400
Current debt.....	9,210,474	14,135,000
Noncurrent debt.....	45,880,000	33,110,000
Total liabilities.....	62,903,203	52,898,383
Net Assets:		
Capital assets net of related debt.....	56,280,575	60,416,766
Restricted.....	1,854,216	1,035,731
Unrestricted.....	16,201,566	14,638,029
Total net assets.....	\$ 74,336,357	\$ 76,090,526

Current assets and noncurrent assets (excluding capital) in total declined from the previous year by approximately \$5.1 million. This decline and the change in the classification of current and noncurrent assets relates mainly to the school reimbursements from the Massachusetts School Building Authority (MSBA). During FY2005 the MSBA was established and assumed responsibility for administering the school construction reimbursement program for the Commonwealth of Massachusetts. The reimbursement program has changed rather significantly; from a program where cities and towns were reimbursed for the state's share of school construction costs over an approximate 20 year period, to a program that funds these reimbursements in a lump sum in most cases and over the life of remaining long-term debt where a city or town has permanently bonded a project. The Town of Wellesley has both of these situations in place for a number of older projects and most recently for the Bates and Sprague elementary schools. Of the \$19.5 million long-term receivable balance in FY2004, approximately \$4.3 million was collected, \$6.1 million was reclassified as an educational expense in FY2005 due to certain costs exceeding the reimbursable criteria of the program, and approximately \$2.5 million has been reclassified as a current receivable at June 30, 2005.

Governmental Activities Condensed Statement of Activities

	June 30, 2005	June 30, 2004
Program revenues:		
Charges for services.....	\$ 7,962,685	\$ 7,701,402
Operating grants and contributions.....	15,555,026	15,191,131
Capital grants and contributions.....	305,176	23,341,015
General Revenues:		
Real estate and personal property taxes.....	67,205,004	64,070,276
Motor vehicle and other excise taxes.....	3,992,408	4,404,140
Nonrestricted grants, contributions, and other.....	1,841,256	2,001,048
Unrestricted investment income.....	843,910	554,593
Total revenues.....	97,705,465	117,263,605
Expenses:		
General Government.....	4,922,109	3,982,041
Public Safety.....	10,444,322	10,576,430
Public Education.....	67,773,355	59,049,160
Public Works.....	8,028,150	8,220,603
Health and sanitation.....	908,898	904,649
Library.....	2,966,722	3,213,639
Recreation.....	1,586,785	1,790,255
Traffic and parking management.....	616,467	592,766
Community preservation.....	401,717	-
Interest.....	1,725,684	1,363,670
State and county charges.....	989,645	1,041,780
Other.....	486,780	451,307
Total expenses.....	100,850,634	91,186,300
Excess (Deficiency) before transfers.....	(3,145,169)	26,077,305
Transfers.....	1,391,000	1,000,000
Change in net assets.....	\$ (1,754,169)	\$ 27,077,305

As noted earlier, the current year change in net assets is a decline of approximately (\$1.8) million as compared to an increase of approximately \$27 million in the prior fiscal year. This change was primarily the result of school and library capital grants recognized in the prior year in the amount of approximately \$23 million, and non-recurring educational grant expenses of approximately \$6.1 million being recognized in the current fiscal year.

Other financial notes related to governmental activities:

- Charges for services represented 8% of governmental activities resources. The Town can exercise more control over this category of revenue than any other. Fees charged for services rendered that are set by the Town are included in this category.
- Operating grants and contributions accounted for 16% percent of the governmental activities resources. Most of these resources apply to educational operations. These resources offset costs within the school department and supplement their General Fund operating budget.

- Property taxes are by far the most significant revenue source for the Town's governmental activities. They comprised 69% of current resources.
- Other taxes and other revenues comprised a total of 7% percent of the governmental activities resources.
- Education is by far the largest governmental activity of the Town. Approximately \$67 million in taxes and other revenue were needed to cover its Fiscal 2005 operating expenses. A pension contribution of approximately \$6.9 million made by the state on-behalf of Wellesley teachers was recorded as an expense and grant revenue.
- Public safety and public works are the second and third largest activities of the Town. Approximately \$10.5 million and \$8.0 million, respectively, of taxes and other revenue were needed to cover their Fiscal 2005 operating expenses.
- General government expenses increased approximately \$940,000 during FY2005 relating to budgetary increases of approximately \$732,000 (of which approximately \$300,000 is non-recurring), and information technology training and development costs of \$208,000.
- Library and recreational expenses declined approximately \$247,000 and \$204,000, respectively, relating mainly to non-capital costs associated with prior year construction of the new library and renovation of the Warren Building.

Business-type activities. Business-type activities increased the Town's net assets by \$4.4 million compared to an increase of \$4.6 million during the previous fiscal year. Key elements of this increase are as follows:

- Income before transfers totaled \$5.7 million. Of this amount, \$5.5 million was attributable to electric operations mainly as a result of efficient operations. The water and sewer funds essentially recovered all of their costs through rates.
- The electric operations transferred \$1.0 million of its net operating income to governmental activities in lieu of taxes and an additional \$391,000 was transferred to the internal service fund to help offset the cost of software upgrades for the benefit of the entire Town government.

As shown below, business-type activities assets exceeded liabilities by \$73.3 million at the close of fiscal year 2005. Capital assets net of related debt was \$54.9 million (75%) while unrestricted net assets were \$18.5 million (25%). There was an increase of \$4.4 million in net assets compared to an increase of \$4.6 million in the prior fiscal year. All three enterprise funds experienced positive changes in net assets during the current fiscal which were consistent with prior year results. These results continue to reflect management's goal of maintaining the systems while only charging users for the cost of operations.

Business-type Condensed Statement of Net Assets

	June 30, 2005	June 30, 2004
Assets:		
Current assets.....	\$ 2,785,466	\$ 2,807,370
Capital assets.....	10,934,863	10,656,656
Total assets.....	13,720,329	13,464,026
Liabilities:		
Current liabilities (excluding debt).....	64,841	111,300
Current debt.....	23,016	23,016
Noncurrent debt.....	199,360	92,064
Total liabilities.....	287,217	226,380
Net Assets:		
Capital assets net of related debt.....	10,679,909	10,541,576
Unrestricted.....	2,753,203	2,696,070
Total net assets.....	\$ 13,433,112	\$ 13,237,646

Business-type sewer net assets of \$10,679,909 (80%) represent the investment in capital assets net of related debt, while \$2,753,203 (20%) is unrestricted.

Business-type water net assets of \$11,279,355 (85%) represent the investment in capital assets net of related debt, while \$2,067,849 (15%) is unrestricted.

Business-type electric light net assets of \$32,916,891 (71%) represent the investment in capital assets net of related debt, while \$13,642,693 is unrestricted.

Business-type Activities Condensed Statement of Activities

	June 30, 2005	June 30, 2004
Program revenues:		
Charges for services.....	\$ 29,226,805	\$ 29,108,631
Capital grants and contributions.....	635,218	314,081
General Revenues:		
Unrestricted investment income.....	59,231	68,595
Total revenues.....	29,921,254	29,491,307
Expenses:		
Sewer.....	5,030,351	4,999,788
Water.....	3,473,977	3,282,334
Electric.....	15,675,397	15,612,029
Total expenses.....	24,179,725	23,894,151
Excess before transfers.....	5,741,529	5,597,156
Transfers.....	(1,391,000)	(1,000,000)
Change in net assets.....	\$ 4,350,529	\$ 4,597,156

Financial Analysis of the Government's Major Funds

As noted earlier, The Town of Wellesley uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, the unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$27.4 million, an increase of \$18.7 million from the prior year. The increase is mainly related to the proceeds from long term-debt used to acquire capital assets.

General Fund

The General Fund is the chief operating fund of the Town. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$4.4 million, while the total fund balance was \$7.2 million. As a measure of the general fund's liquidity, it may be useful to compare both the unreserved fund balance and the total fund balance to total fund expenditures. The unreserved fund balance represents 5.0% of total general fund expenditures, while the total fund balance represents 8.2% of that same amount.

The fund balance of the general fund increased by \$2.1 million during fiscal year 2005. This is primarily due to management's ability to monitor budgetary results during the year and its goal of maintaining the Town's strong financial position.

Highway Major Fund

The Highway fund is a special revenue fund used to accumulate funds earmarked primarily for road and sidewalk projects. The fund has received state grants and has utilized bond anticipation notes to finance the Washington Street repair project. At June 30, 2005 the fund's assets consist of \$1.8 million in cash resulting from Bond Anticipation Notes and an Intergovernmental receivable of \$2.1 million due from the Massachusetts Highway Department. Liabilities consisting of warrants payable, deferred revenues, and notes payable equal the assets of the fund, and the fund balance at June 30, 2005 is zero.

Capital Projects Major Fund

Capital funds under the modified accrual basis of accounting normally have significant fluctuations as major capital projects are constructed. During FY2005 the Town borrowed \$17,290,000 of general obligation bonds to pay down prior year bond anticipation notes and to eliminate a prior year fund deficit. The borrowing mainly relates to school construction projects. In addition to the bond proceeds the fund had revenues of \$3.7 million and expenditures of (\$4.6) million leaving an ending fund balance of \$11.6 million.

Proprietary funds. The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have already been addressed in the discussion of the Town's business-type activities.

General Fund Budgetary Highlights

Differences between the original general fund budget and the final budget of approximately \$2.6 million relates mainly to increases in recreational expenses of \$296,000, employee benefit expenses of \$255,000, public works expenses of \$473,000, educational expenses of \$432,000, and state and county charges of \$1,035,000; which were not originally budgeted for.

General fund revenues exceed budget by approximately \$1,640,000 relating to approximately \$206,000 of tax liens not budgeted for, and increases in intergovernmental and departmental and other revenues of approximately \$1,241,000. Investment earnings were approximately \$161,000 higher due to higher interest rates during the year.

Most departments realized favorable budget variances except for the Department of Public Works (DPW). The DPW's budget was over expended as a result of a harsh winter and excessive snow and ice removal costs. This is one area where municipalities are allowed to deficit spend under state law. Expenditures exceeded appropriations for snow and ice removal costs in the amount of \$586,000. This deficit will be raised in the subsequent year's budget.

Capital Assets and Debt Management

In conjunction with the operating budget, the Town annually prepares a capital budget which includes detailed information concerning those capital requests for the upcoming fiscal year as well as summary information for the following four fiscal years to identify current projections of what level of capital outlay will be required in future years.

As part of the capital plan the Town has historically financed the acquisition of a portion of its capital assets from current revenue. As noted earlier, this policy will continue to improve the financial position as net assets will increase by the amount of acquisitions less the current depreciation.

Major capital assets are funded by the issuance of long-term debt. The effect on net assets during the construction phase of the project is neutral since the Town increases its assets and associated liabilities by the same amount. In subsequent years the net assets will be reduced through depreciation and will be increased by the revenues raised to support the debt principal payments. Outstanding long-term debt of the general government, as of June 30, 2005, totaled \$50,400,000, of which, \$32,500,000 is related to school projects, \$6,845,000 is related to the new library, \$6,870,000 is related to the Warren building renovation, leaving a balance of \$4,185,000 for other Town projects.

The enterprise funds have \$254,954 in sewer enterprise debt and \$3,440,000 in water enterprise debt that is fully supported by the rates and do not rely on a general fund subsidy.

The Town's major capital project fund is used mainly to account for the Town's school construction projects. To fund the projects, the Town issued \$15,995,000 of long term bonds in Fiscal 2001, \$5,510,000 of long term bonds in Fiscal 2003, and \$17,290,000 of long term bonds in Fiscal 2005. The Commonwealth of Massachusetts, through the Massachusetts School Building Authority, has provided approximately \$12.7 million in the form of a grant equal to 57% of the approved costs, as defined, of the Bates and Sprague elementary school expansion and renovation projects.

Please refer to notes 4, 6, and 7 to the financial statements for further discussion of the major capital and debt activity.

Requests for Information

This financial report is designed to provide a general overview of the Town's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Executive Director of General Government Services, 525 Washington Street, Wellesley, MA 02482.

Basic Financial Statements

STATEMENT OF NET ASSETS

JUNE 30, 2005

	<i>Primary Government</i>		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT:			
Cash and cash equivalents.....	\$ 28,286,623	\$ 14,083,289	\$ 42,369,912
Investments.....	10,296,380	2,892,160	13,188,540
Receivables, net of allowance for uncollectibles:			
Real estate and personal property taxes.....	2,451,943	-	2,451,943
Tax liens.....	308,112	-	308,112
Motor vehicle excise taxes.....	327,414	-	327,414
User charges.....	-	3,044,398	3,044,398
Departmental and other.....	118,084	-	118,084
Intergovernmental.....	4,765,937	-	4,765,937
Inventory.....	-	833,885	833,885
Other assets.....	209,000	61,566	270,566
Prepaid expenses.....	-	37,448	37,448
NONCURRENT:			
Receivables, net of allowance for uncollectibles:			
Intergovernmental.....	6,592,097	-	6,592,097
Capital assets, non depreciable.....	9,017,102	1,679,482	10,696,584
Capital assets, net of accumulated depreciation.....	74,866,868	56,891,627	131,758,495
TOTAL ASSETS	137,239,560	79,523,855	216,763,415
LIABILITIES			
CURRENT:			
Warrants payable.....	2,560,985	1,621,807	4,182,792
Accrued payroll.....	2,551,042	122,453	2,673,495
Tax refunds payable.....	46,200	-	46,200
Accrued interest.....	130,139	6,638	136,777
Other liabilities.....	1,073,363	689,148	1,762,511
Compensated absences.....	139,750	25,955	165,705
Workers' compensation.....	223,000	-	223,000
Bonds and notes payable.....	9,210,474	485,594	9,696,068
NONCURRENT:			
Compensated absences.....	567,250	23,000	590,250
Workers' compensation.....	521,000	-	521,000
Bonds and notes payable.....	45,880,000	3,209,360	49,089,360
TOTAL LIABILITIES	62,903,203	6,183,955	69,087,158
NET ASSETS			
Invested in capital assets, net of related debt.....	56,280,575	54,876,155	111,156,730
Restricted for:			
Permanent funds:			
Expendable.....	543,542	-	543,542
Nonexpendable.....	220,419	-	220,419
Other purposes.....	1,090,255	-	1,090,255
Unrestricted.....	16,201,566	18,463,745	34,665,311
TOTAL NET ASSETS	\$ 74,336,357	\$ 73,339,900	\$ 147,676,257

See notes to basic financial statements.

STATEMENT OF ACTIVITIES

FISCAL YEAR ENDED JUNE 30, 2005

		Program Revenues				
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue	
Primary Government:						
<i>Governmental Activities:</i>						
General government.....	\$ 4,922,109	\$ 387,788	\$ 108,014	\$ -	\$ (4,426,307)	
Public safety.....	10,444,322	2,514,000	201,476	60,000	(7,668,846)	
Public education.....	67,773,355	2,195,309	13,448,572	-	(52,129,474)	
Public works.....	8,028,150	726,225	416,755	245,176	(6,639,994)	
Health and sanitation.....	908,898	7,650	105,494	-	(795,754)	
Library.....	2,966,722	92,821	210,860	-	(2,663,041)	
Recreation.....	1,586,785	877,336	155,178	-	(554,271)	
Traffic and parking management.....	616,467	570,784	-	-	(45,683)	
Community preservation.....	401,717	590,772	605,587	-	794,642	
Interest.....	1,725,684	-	303,090	-	(1,422,594)	
State and county charges.....	989,645	-	-	-	(989,645)	
Other.....	486,780	-	-	-	(486,780)	
Total Governmental Activities.....	100,850,634	7,962,685	15,555,026	305,176	(77,027,747)	
<i>Business-Type Activities:</i>						
Sewer.....	5,030,351	5,160,274	-	57,424	187,347	
Water.....	3,473,977	3,454,153	-	65,667	45,843	
Electric.....	15,675,397	20,612,378	-	512,127	5,449,108	
Total Business-Type Activities.....	24,179,725	29,226,805	-	635,218	5,682,298	
Total Primary Government.....	\$ 125,030,359	\$ 37,189,490	\$ 15,555,026	\$ 940,394	\$ (71,345,449)	

See notes to basic financial statements.

(Continued)

STATEMENT OF ACTIVITIES (Continued)

FISCAL YEAR ENDED JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Changes in net assets:			
Net (expense) revenue from previous page.....	\$ <u>(77,027,747)</u>	\$ <u>5,682,298</u>	\$ <u>(71,345,449)</u>
<i>General revenues:</i>			
Real estate and personal property taxes, net of tax refunds payable.....	66,999,014	-	66,999,014
Tax liens.....	205,990	-	205,990
Motor vehicle and other excise taxes.....	3,901,195	-	3,901,195
Hotel/motel tax.....	91,213	-	91,213
Penalties and interest on taxes.....	137,122	-	137,122
Payments in lieu of taxes.....	344,089	-	344,089
Grants and contributions not restricted to specific programs.....	1,272,612	-	1,272,612
Unrestricted investment income.....	843,910	59,231	903,141
Miscellaneous.....	87,433	-	87,433
<i>Transfers, net</i>	<u>1,391,000</u>	<u>(1,391,000)</u>	<u>-</u>
Total general revenues and transfers.....	<u>75,273,578</u>	<u>(1,331,769)</u>	<u>73,941,809</u>
Change in net assets.....	(1,754,169)	4,350,529	2,596,360
<i>Net Assets:</i>			
Beginning of year.....	<u>76,090,526</u>	<u>68,989,371</u>	<u>145,079,897</u>
End of year.....	\$ <u><u>74,336,357</u></u>	\$ <u><u>73,339,900</u></u>	\$ <u><u>147,676,257</u></u>

(Concluded)

**GOVERNMENTAL FUNDS
BALANCE SHEET**

JUNE 30, 2005

	General	Highway	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents.....	\$ 9,103,839	\$ 1,798,034	\$ 13,200,984	\$ 4,123,991	\$ 28,226,848
Investments.....	1,819,269	-	2,525,561	4,816,522	9,161,352
Receivables, net of uncollectibles:					
Real estate, personal property and tax deferrals	2,451,943	-	-	-	2,451,943
Tax liens.....	308,112	-	-	-	308,112
Motor vehicle excise taxes.....	327,414	-	-	-	327,414
Departmental and other.....	23,434	-	-	86,163	109,597
Intergovernmental.....	9,268,703	2,074,991	10,000	4,340	11,358,034
Other assets.....	209,000	-	-	-	209,000
TOTAL ASSETS.....	\$ 23,511,714	\$ 3,873,025	\$ 15,736,545	\$ 9,031,016	\$ 52,152,300
LIABILITIES					
LIABILITIES:					
Warrants payable.....	\$ 552,216	\$ 145,710	\$ 1,429,410	\$ 314,872	\$ 2,442,208
Accrued payroll.....	2,486,009	-	4,054	31,471	2,521,534
Tax refunds payable.....	46,200	-	-	-	46,200
Other liabilities.....	1,062,151	-	-	11,212	1,073,363
Deferred revenues.....	12,119,903	1,829,815	-	70,618	14,020,336
Notes payable.....	-	1,897,500	2,792,974	-	4,690,474
TOTAL LIABILITIES.....	16,266,479	3,873,025	4,226,438	428,173	24,794,115
FUND BALANCES:					
Reserved for:					
Encumbrances and continuing appropriations.....	2,845,563	-	-	-	2,845,563
Perpetual permanent funds.....	-	-	-	220,419	220,419
Unreserved:					
Undesignated, reported in:					
General fund.....	4,399,672	-	-	-	4,399,672
Special revenue funds.....	-	-	-	7,838,882	7,838,882
Capital projects funds.....	-	-	11,510,107	-	11,510,107
Permanent funds.....	-	-	-	543,542	543,542
TOTAL FUND BALANCES.....	7,245,235	-	11,510,107	8,602,843	27,358,185
TOTAL LIABILITIES AND FUND BALANCES.....	\$ 23,511,714	\$ 3,873,025	\$ 15,736,545	\$ 9,031,016	\$ 52,152,300

See notes to basic financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TOTAL FUND BALANCES TO THE STATEMENT OF NET ASSETS**

June 30, 2005

Total governmental fund balances.....	\$ 27,358,185
Capital assets (net) used in governmental activities are not financial resources and, therefore, are not reported in the funds.....	83,883,970
Accounts receivable are not available to pay for current-period expenditures and, therefore, are deferred in the funds.....	14,020,336
Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.	
The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.....	311,005
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.....	(130,139)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	
Bonds and notes payable.....	(50,400,000)
Compensated absences.....	(707,000)
Net effect of reporting long-term liabilities.....	<u>(51,107,000)</u>
Net assets of governmental activities.....	<u>\$ 74,336,357</u>

See notes to basic financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

	General	Highway	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 66,459,298	\$ -	\$ -	\$ -	\$ 66,459,298
Tax liens.....	205,990	-	-	-	205,990
Motor vehicle and other excise taxes.....	3,945,707	-	-	-	3,945,707
Payments in lieu of taxes.....	344,089	-	-	-	344,089
Penalties and interest on taxes.....	137,122	-	-	-	137,122
Charges for services.....	-	-	-	920,385	920,385
Parking meter receipts.....	-	-	-	570,784	570,784
Intergovernmental.....	12,541,987	245,176	3,667,026	4,267,647	20,721,836
Departmental and other.....	4,206,933	-	-	1,881,139	6,088,072
Community preservation assessments.....	-	-	-	590,772	590,772
Contributions.....	-	-	60,000	411,765	471,765
Investment income.....	826,472	-	-	48,208	874,680
TOTAL REVENUES.....	88,667,598	245,176	3,727,026	8,690,700	101,330,500
EXPENDITURES:					
Current:					
General government.....	4,016,469	-	3,598	12,054	4,032,121
Public safety.....	8,581,881	-	13,453	627,365	9,222,699
Public education.....	41,593,577	-	4,265,271	5,696,686	51,555,534
Public works.....	7,266,348	383,483	128,099	139,785	7,917,715
Health and sanitation.....	772,328	-	-	89,306	861,634
Recreation.....	1,058,060	-	180,872	251,580	1,490,512
Library.....	2,256,294	-	-	43,715	2,300,009
Teachers pension benefits - state funded.....	6,912,222	-	-	-	6,912,222
Employee benefits.....	8,822,000	-	-	91,374	8,913,374
Traffic and parking management.....	-	-	-	616,467	616,467
Community preservation.....	-	-	-	401,717	401,717
Other.....	486,780	-	-	-	486,780
State and county charges.....	989,645	-	-	-	989,645
Debt service:					
Principal.....	3,750,000	-	-	-	3,750,000
Interest.....	1,679,941	-	-	-	1,679,941
TOTAL EXPENDITURES.....	88,185,545	383,483	4,591,293	7,970,049	101,130,370
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	482,053	(138,307)	(864,267)	720,651	200,130
OTHER FINANCING SOURCES (USES):					
Proceeds from bonds and notes.....	-	-	17,290,000	-	17,290,000
Premium from issuance of bonds.....	199,649	-	-	-	199,649
Transfers in.....	1,538,932	-	-	125,000	1,663,932
Transfers out.....	(125,000)	-	(278,032)	(260,900)	(663,932)
TOTAL OTHER FINANCING SOURCES (USES).....	1,613,581	-	17,011,968	(135,900)	18,489,649
NET CHANGE IN FUND BALANCES.....	2,095,634	(138,307)	16,147,701	584,751	18,689,779
FUND BALANCES AT BEGINNING OF YEAR.....	5,149,601	138,307	(4,637,594)	8,018,092	8,668,406
FUND BALANCES AT END OF YEAR.....	\$ 7,245,235	\$ -	\$ 11,510,107	\$ 8,602,843	\$ 27,358,185

See notes to basic financial statements.

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds.....	\$ 18,689,779
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay.....	6,129,829
Depreciation expense.....	<u>(2,959,598)</u>
Net effect of reporting capital assets.....	3,170,231
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.....</p>	
	(9,948,990)
<p>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>	
Proceeds from bonds and notes.....	(17,290,000)
Debt service principal payments.....	<u>3,750,000</u>
Net effect of reporting long-term debt.....	(13,540,000)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>	
Net change in compensated absences accrual.....	29,403
Net change in accrued interest on long-term debt.....	<u>(45,743)</u>
Net effect of recording long-term liabilities.....	(16,340)
<p>Internal service funds are used by management to account for health insurance activities, workers' compensation activities, and for information technology services and fleet maintenance services.</p>	
The net activity of internal service funds is reported with Governmental Activities.....	<u>(108,849)</u>
Change in net assets of governmental activities.....	\$ <u><u>(1,754,169)</u></u>

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 1,962,956	\$ 1,385,256	\$ 10,735,077	\$ 14,083,289	\$ 59,775
Investments.....	404,638	283,227	2,204,295	2,892,160	1,135,028
Receivables, net of allowance for uncollectibles:					
User charges.....	417,872	459,192	2,167,334	3,044,398	-
Departmental and other.....	-	-	-	-	8,487
Inventory.....	-	111,641	722,244	833,885	-
Other assets.....	-	-	61,566	61,566	-
 Total current assets.....	 2,785,466	 2,239,316	 15,927,964	 20,952,746	 1,203,290
NONCURRENT:					
Nondepreciable capital assets.....	158,774	130,176	1,390,532	1,679,482	-
Depreciable capital assets, net of accumulated depreciation.....	10,776,089	14,589,179	31,526,359	56,891,627	-
 Total noncurrent assets.....	 10,934,863	 14,719,355	 32,916,891	 58,571,109	 -
 TOTAL ASSETS.....	 13,720,329	 16,958,671	 48,844,855	 79,523,855	 1,203,290
LIABILITIES					
CURRENT:					
Warrants payable.....	16,163	62,490	1,543,154	1,621,807	118,777
Accrued payroll.....	14,025	47,010	61,418	122,453	29,508
Accrued interest.....	-	6,638	-	6,638	-
Other liabilities.....	2,075	37,720	649,353	689,148	-
Compensated absences.....	-	7,109	18,846	25,955	-
Workers' compensation.....	-	-	-	-	223,000
Bonds and notes payable.....	55,594	430,000	-	485,594	-
 Total current liabilities.....	 87,857	 590,967	 2,272,771	 2,951,595	 371,285
NONCURRENT:					
Compensated absences.....	-	10,500	12,500	23,000	-
Workers' compensation.....	-	-	-	-	521,000
Bonds and notes payable.....	199,360	3,010,000	-	3,209,360	-
 Total noncurrent liabilities.....	 199,360	 3,020,500	 12,500	 3,232,360	 521,000
 TOTAL LIABILITIES.....	 287,217	 3,611,467	 2,285,271	 6,183,955	 892,285
NET ASSETS					
Invested in capital assets, net of related debt.....	10,679,909	11,279,355	32,916,891	54,876,155	-
Unrestricted.....	2,753,203	2,067,849	13,642,693	18,463,745	311,005
 TOTAL NET ASSETS.....	 \$ 13,433,112	 \$ 13,347,204	 \$ 46,559,584	 \$ 73,339,900	 \$ 311,005

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
OPERATING REVENUES:					
Charges for services	\$ 5,160,274	\$ 3,454,153	\$ 19,994,427	\$ 28,608,854	\$ 10,800,279
Employee contributions	-	-	-	-	4,849,644
Other	-	-	617,951	617,951	-
TOTAL OPERATING REVENUES	5,160,274	3,454,153	20,612,378	29,226,805	15,649,923
OPERATING EXPENSES:					
MWRA Assessment	3,937,529	-	-	3,937,529	-
Production	-	-	10,571,042	10,571,042	-
Transmission and distribution	-	877,225	2,719,129	3,596,354	-
Source of supply	-	358,803	-	358,803	-
Pumping and treatment	163,998	597,658	-	761,656	-
Collection	272,890	-	-	272,890	-
Customer accounts	97,338	190,250	258,103	545,691	-
Supplies and services	-	-	-	-	16,228,284
Administration and general	304,143	550,725	563,362	1,418,230	-
Depreciation	254,453	721,869	1,562,370	2,538,692	-
TOTAL OPERATING EXPENSES	5,030,351	3,296,530	15,674,006	24,000,887	16,228,284
OPERATING INCOME (LOSS)	129,923	157,623	4,938,372	5,225,918	(578,361)
NONOPERATING REVENUES (EXPENSES):					
Investment income	8,119	4,947	46,165	59,231	78,512
Interest expense	-	(177,447)	(1,391)	(178,838)	-
Capital grants	57,424	65,667	512,127	635,218	-
TOTAL NONOPERATING REVENUES (EXPENSES), NET	65,543	(106,833)	556,901	515,611	78,512
INCOME (LOSS) BEFORE TRANSFERS	195,466	50,790	5,495,273	5,741,529	(499,849)
TRANSFERS:					
Transfers in	-	-	-	-	391,000
Transfers out	-	-	(1,391,000)	(1,391,000)	-
CHANGE IN NET ASSETS	195,466	50,790	4,104,273	4,350,529	(108,849)
NET ASSETS AT BEGINNING OF YEAR	13,237,646	13,296,414	42,455,311	68,989,371	419,854
NET ASSETS AT END OF YEAR	\$ 13,433,112	\$ 13,347,204	\$ 46,559,584	\$ 73,339,900	\$ 311,005

See notes to basic financial statements.

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2005

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewer	Water	Electric Department	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ 5,138,493	\$ 3,358,899	\$ 20,286,827	\$ 28,784,219	\$ 4,849,155
Receipts from interfund services provided.....	-	-	-	-	10,800,279
Payments to vendors.....	(4,280,029)	(1,293,545)	(13,710,338)	(19,283,912)	-
Payments to employees.....	(574,906)	(1,292,527)	(1,124,685)	(2,992,118)	(1,471,948)
Payments for interfund services used.....	-	-	-	-	(14,657,636)
NET CASH FROM OPERATING ACTIVITIES.....	283,558	772,827	5,451,804	6,508,189	(480,150)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	-	-	-	-	391,000
Transfers out.....	-	-	(1,391,000)	(1,391,000)	-
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES.....	-	-	(1,391,000)	(1,391,000)	391,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the issuance of bonds and notes.....	162,890	-	-	162,890	-
Capital contributions.....	57,424	65,667	512,127	635,218	-
Acquisition and construction of capital assets.....	(532,660)	(959,178)	(3,478,420)	(4,970,258)	-
Principal payments on bonds and notes.....	(23,016)	(430,000)	-	(453,016)	-
Interest expense.....	-	(177,447)	(1,391)	(178,838)	-
NET CASH FROM CAPITAL AND RELATED FINANCING ACTIVITIES.....	(335,362)	(1,500,958)	(2,967,684)	(4,804,004)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	907,437	917,401	3,985,188	5,810,026	1,142,088
Purchase of investments.....	(404,638)	(283,227)	(2,204,295)	(2,892,160)	(1,135,028)
Investment income.....	8,119	4,947	46,165	59,231	78,512
NET CASH FROM INVESTING ACTIVITIES.....	510,918	639,121	1,827,058	2,977,097	85,572
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	459,114	(89,010)	2,920,178	3,290,282	(3,578)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	1,503,842	1,474,266	7,814,899	10,793,007	63,353
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 1,962,956	\$ 1,385,256	\$ 10,735,077	\$ 14,083,289	\$ 59,775
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ 129,923	\$ 157,623	\$ 4,938,372	\$ 5,225,918	\$ (578,361)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation.....	254,453	721,869	1,562,370	2,538,692	-
Changes in assets and liabilities:					
Accounts Receivable.....	(21,781)	(95,254)	(325,551)	(442,586)	(489)
Inventory.....	-	(29,014)	(42,802)	(71,816)	-
Warrants payable.....	(79,018)	1,722	(691,652)	(768,948)	59,781
Accrued payroll.....	(19)	16,685	12,440	29,106	5,919
Other liabilities.....	-	1,900	(7,861)	(5,961)	-
Compensated absences.....	-	(2,704)	6,488	3,784	-
Workers' compensation.....	-	-	-	-	33,000
Total adjustments.....	153,635	615,204	513,432	1,282,271	98,211
NET CASH FROM OPERATING ACTIVITIES.....	\$ 283,558	\$ 772,827	\$ 5,451,804	\$ 6,508,189	\$ (480,150)

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds	Agency Fund
ASSETS			
Cash and cash equivalents.....	\$ 934,502	\$ 2,476	\$ 364,399
Investments:			
Equity securities.....	44,857,725	368,908	-
Equity mutual funds.....	59,951,407	-	-
Corporate bonds.....	22,621,224	-	-
PRIT funds.....	105,707	-	-
Interest and dividends receivable.....	136,908	-	-
Receivables, net of allowance for uncollectibles:			
Departmental and other receivables.....	1,313,695	-	-
TOTAL ASSETS	129,921,168	371,384	364,399
LIABILITIES			
Warrants payable.....	5,354,041	-	-
Liabilities due depositors.....	-	-	364,399
TOTAL LIABILITIES	5,354,041	-	364,399
NET ASSETS			
Held in trust for pension benefits and other purposes.....	\$ <u>124,567,127</u>	\$ <u>371,384</u>	\$ <u>-</u>

See notes to basic financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Pension Trust Fund (as of December 31, 2004)	Private Purpose Trust Funds
ADDITIONS:		
Contributions:		
Plan members.....	\$ 2,242,989	\$ -
Private donations.....	-	900
Total contributions.....	2,242,989	900
Net investment income:		
Net change in fair value of investments.....	11,506,985	-
Interest.....	1,575,137	44,306
Dividends.....	1,009,032	-
Total investment income.....	14,091,154	44,306
Less: investment expense.....	(180,742)	(4,000)
Net investment income.....	13,910,412	40,306
Intergovernmental.....	45,743	-
Transfers from other systems.....	311,138	-
TOTAL ADDITIONS.....	16,510,282	41,206
DEDUCTIONS:		
Administration.....	726,560	-
Transfers to other systems.....	350,273	-
Retirement benefits and refunds.....	7,658,686	-
Educational scholarships.....	-	20,400
TOTAL DEDUCTIONS.....	8,735,519	20,400
CHANGE IN NET ASSETS.....	7,774,763	20,806
NET ASSETS AT BEGINNING OF YEAR.....	116,792,364	350,578
NET ASSETS AT END OF YEAR.....	\$ 124,567,127	\$ 371,384

See notes to basic financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Town of Wellesley, Massachusetts (the Town) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

A. Reporting Entity

The Town was incorporated in 1881 under the statutes of the Commonwealth of Massachusetts (the “Commonwealth”). The Town is a municipal corporation governed by an elected Board of Selectmen.

For financial reporting purposes, the Town has included all funds, organizations, account groups, agencies, boards, commissions and institutions. The Town has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the basic financial statements to be misleading or incomplete. As required by GAAP, these basic financial statements present the Town (the primary government) and its component units. One entity has been included as a component unit in the reporting entity, because of the significance of its operational and/or financial relationship.

Blended Component Units – Blended component units are entities that are legally separate from the Town, but are so related that they are, in substance, the same as the Town or entities providing services entirely or almost entirely for the benefit of the Town. The following component unit is blended within the primary government:

In the Fiduciary Funds:

- (1) The Wellesley Contributory Retirement System (the System) was established to provide retirement benefits to Town employees, the Wellesley Housing Authority employees, and their beneficiaries. The System is governed by a five-member board comprised of the Executive Director of General Government Services (ex-officio), two members elected by the System’s participants, one member appointed by the Board of Selectmen and one member appointed by the Board members. The System is presented using the accrual basis of accounting and is reported as a pension trust fund in the fiduciary fund financial statements.

Availability of Financial Information for Component Units

The System issues a publicly available audited financial report in accordance with guidelines established by the Commonwealth of Massachusetts’ (Commonwealth) Public Employee Retirement Administration Commission (PERAC). That report may be obtained by contacting the System located at 525 Washington Street, Wellesley, MA 02482.

B. Government-Wide and Fund-Level Financial Statements***Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units.

Governmental activities, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which are supported primarily by user fees and charges.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and displayed in a single column.

Major Fund Criteria

Major funds must be reported if the following criteria are met:

- If the total assets, liabilities, revenues, or expenditures/expenses of an individual governmental or enterprise fund are at least 10 percent of the corresponding element (assets, liabilities, etc.) for all funds of that category or type (total governmental or total enterprise funds), *and*
- If the total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding element for all governmental and enterprise funds combined.

Additionally, any other governmental or enterprise fund that management believes is particularly significant to the basic financial statements may be reported as a major fund.

Internal service funds and fiduciary funds are reported by fund type.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred. Real estate and personal property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a particular function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include the following:

- Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment.
- Grants and contributions that are restricted to meeting the operational requirements of a particular function or segment.
- Grants and contributions that are restricted to meeting the capital requirements of a particular function or segment.

Taxes and other items not identifiable as program revenues are reported as general revenues.

For the most part, the effect of interfund activity has been removed from the government-wide financial statements. Exceptions are charges between the governmental funds and proprietary funds. Elimination of these charges would distort the direct costs and program revenues reported for the functions affected.

Fund Financial Statements

Governmental fund financial statements are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences, claims and judgments which are recognized when the obligations are expected to be liquidated with current expendable available resources.

Real estate and personal property tax revenues are considered available if they are collected within 60 days after fiscal year-end. Investment income is susceptible to accrual. Other receipts and tax revenues become measurable and available when the cash is received and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the "susceptible to accrual criteria" is met. Expenditure driven grants recognize revenue when the qualifying expenditures are incurred and all other grant requirements are met.

The following major governmental funds are reported:

The *general fund* is the primary operating fund. It is used to account for all financial resources, except those that are required to be accounted for in another fund.

The *highway fund* is a special revenue fund used to accumulate funds earmarked primarily for road and sidewalk projects.

The *capital projects fund* is used to account for financial resources used for the acquisition of major capital assets except those financed entirely by the general or the proprietary funds.

The nonmajor governmental funds consist of other special revenue and permanent funds that are aggregated and presented in the *nonmajor governmental funds* column on the governmental funds financial statements. The following describes the general use of these fund types:

The *special revenue fund* is used to provide separate accountability for revenues that are restricted to expenditures for specified purposes (other than major capital projects). The special revenue funds are reported in the nonmajor funds column of the governmental fund financial statements.

The *permanent fund* is used to account for financial resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the governmental programs. The permanent funds are also reported in the nonmajor funds column of the governmental funds financial statements.

Proprietary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when the liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The following major proprietary funds are reported:

The *electric fund* is used to account for operations of the municipal light department that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *water fund* is used to account for water distribution operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

The *sewer fund* is used to account for sewage treatment operations of the department of public works that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges.

Additionally, the following proprietary fund type is reported:

The *internal service fund* is used to account for the financing of goods or services provided by one department to other departments of the town on a cost-reimbursement basis. The Town's internal service fund is used to account for the financing of medical claims of all covered town employees and their covered dependents, the financing of the self-insured workers' compensation plan, information technology services, fleet maintenance and fuel.

Fiduciary fund financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Fiduciary funds are used to account for assets held in a trustee capacity for others that cannot be used to support the governmental programs.

The following fiduciary fund types are reported:

The *pension trust fund* is used to account for the activities of the System, which accumulates resources to provide pension benefits to eligible retirees and their beneficiaries.

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency fund* is used to account for payroll withholding and other assets held in a purely custodial capacity. Agency funds apply the accrual basis of accounting but do not have a measurement focus.

Government-Wide and Fund Financial Statements

For the government-wide financial statements, and proprietary and fiduciary fund accounting, all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, are applied, unless those pronouncements conflict with or contradict GASB pronouncements.

D. Cash and Investments*Government-Wide and Fund Financial Statements*

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market.

E. Accounts Receivable*Government-Wide and Fund Financial Statements*

The recognition of revenue related to accounts receivable reported in the government-wide financial statements and the proprietary funds and fiduciary funds financial statements are reported under the accrual basis of accounting. The recognition of revenue related to accounts receivable reported in the governmental funds financial statements are reported under the modified accrual basis of accounting.

Real Estate, Personal Property Taxes and Tax Liens

Real estate and personal property taxes are levied and based on values assessed on January 1st of every year. Assessed values are established by the Board of Assessor's for 100% of the estimated fair market value. Taxes are due on August 1st, November 1st, February 1st and May 1st and are subject to penalties and interest if they are not paid by the respective due date. Real estate and personal property taxes levied are recorded as receivables in the fiscal year of the levy.

Real estate tax liens are processed six months after the close of the valuation year on delinquent properties and are recorded as receivables in the fiscal year they are processed.

Real estate receivables are secured via the tax lien process and are considered 100% collectible. Accordingly, an allowance for uncollectibles is not reported.

Personal property taxes cannot be secured through the lien process. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Motor Vehicle Excise

Motor vehicle excise taxes are assessed annually for each vehicle registered and are recorded as receivables in the fiscal year of the levy. The Commonwealth is responsible for reporting the number of vehicles registered and the fair values of those vehicles. The tax calculation is the fair value of the vehicle multiplied by \$25 per \$1,000 of value.

The allowance for uncollectibles is estimated based on historical trends and specific account analysis.

User Charges

User fees are levied monthly based on individual meter readings and are subject to penalties and interest if they are not paid by the respective due date. Liens are processed in December of every year and included as a lien on the property owner's tax bill.

Since the receivables are secured via the lien process, these accounts are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Departmental and Other

Departmental and other receivables are recorded net of an allowance for uncollectible accounts. The allowance of uncollectibles is estimated based on historical trends and specific account analysis.

Intergovernmental

Various Federal and state grants for operating and capital purposes are applied for and received annually. For non-expenditure driven grants, receivables are recorded as soon as all eligibility requirements imposed by the provider have been met. For expenditure driven grants, receivables are recorded when the qualifying expenditures are incurred and all other grant requirements are met.

These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

F. Inventories

Government-Wide and Fund Financial Statements

Inventories are recorded as expenditures at the time of purchase. Such inventories are not material in total to the government-wide and fund financial statements, and therefore are not reported.

Materials and supplies held by the Enterprise Funds are generally recorded at the lower of cost or market, using the weighted average method.

G. Restricted Assets

Certain assets of the permanent fund are classified as restricted since their use is prohibited by trust agreements.

H. Capital Assets

Government-Wide and Proprietary Fund Financial Statements

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure (e.g., roads, street lights, sewer mains, and similar items), are reported in the applicable governmental or business-type activity column of the government-wide financial statements. Capital assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. Except for the capital assets of the governmental activities column in the government-wide financial statements, construction period interest is capitalized on constructed capital assets.

For the Town of Wellesley capital assets are defined as buildings and infrastructure with a cost greater than \$100,000, improvements other than buildings with a cost greater than \$50,000, and equipment with a cost greater than \$25,000 and an estimated useful life of greater than five years. The Town has elected not to consider books and other materials purchased for the library as capital assets.

As allowed by GASB Statement #34, the Town has elected to delay the retroactive reporting of all major general governmental infrastructure assets that were acquired prior to the implementation of GASB Statement #34. Consequently, infrastructure assets that were acquired, or significantly reconstructed or improved prior to fiscal year 2003 are not included in these financial statements. The Town expects to be in full compliance by June 30, 2007.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives of capital assets are as follows:

<u>Capital Asset Type</u>	<u>Estimated Useful Life (in years)</u>
Public domain infrastructure.....	50
Buildings.....	10-40
Improvements other than buildings.....	20-30
Equipment.....	5-21

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized and are treated as expenses when incurred. Improvements are capitalized.

Governmental Fund Financial Statements

Capital asset costs are recorded as expenditures in the acquiring fund in the fiscal year of the purchase.

I. Interfund Receivables and Payables

During the course of its operations, transactions occur between and within individual funds that may result in amounts owed between funds.

Government-Wide Financial Statements

Transactions of a buyer/seller nature between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of net assets as "internal balances".

Fund Financial Statements

Transactions of a buyer/seller nature between and within funds are *not* eliminated from the individual fund statements. Receivables and payables resulting from these transactions are classified as "Due from other funds" or "Due to other funds" on the balance sheet.

J. Interfund Transfers

During the course of its operations, resources are permanently reallocated between and within funds. These transactions are reported as transfers in and transfers out.

Government-Wide Financial Statements

Transfers between and within governmental funds and internal service funds are eliminated from the governmental activities in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the statement of activities as "Transfers, net".

Fund Financial Statements

Transfers between and within funds are *not* eliminated from the individual fund statements and are reported as transfers in and transfers out.

K. Deferred Revenue

Deferred revenue at the governmental fund financial statement level represents billed receivables that do not meet the available criterion in accordance with the current financial resources measurement focus and the modified accrual basis of accounting. Deferred revenue is recognized as revenue in the conversion to the government-wide (full accrual) financial statements.

L. Net Assets and Fund Equity

Government-Wide Financial Statements (Net Assets)

The Town reports Net assets as reserved where legally segregated for a specific future use.

Net assets have been "restricted for" the following:

"Invested in capital assets, net of related debt" consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.

"Permanent funds - expendable" represents the expendable resources generated by amounts held in trust which stipulate that only earnings may be used for purposes that support governmental programs.

"Permanent funds - nonexpendable" represents the permanently restricted portion of amounts held in trust which stipulate that only earnings may be used for purposes that support governmental programs.

"Other specific purposes" represents restrictions placed on assets from outside parties.

Fund Financial Statements (Fund Balances)

Fund balances are reserved for amounts that are not available for appropriation or are legally restricted by outside parties for a specific future use. Designations of fund balances represent tentative management plans that are subject to change.

Fund balances have been “reserved for” the following:

“Encumbrances and continuing appropriations” represents amounts obligated under purchase orders, contracts and other commitments for expenditures that are being carried over to the ensuing fiscal year.

“Perpetual permanent funds” represents amounts held in trust for which only investment earnings may be expended.

M. Long-term debt

Government-Wide and Proprietary Fund Financial Statements

Long-term debt is reported as liabilities in the government-wide and proprietary fund statement of net assets. Material bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Governmental Fund Financial Statements

The face amount of governmental funds long-term debt is reported as other financing sources. Bond premiums and discounts, as well as issuance costs, are recognized in the current period. Bond premiums are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual bond proceeds received, are reported as general government expenditures.

N. Compensated Absences

Employees are granted vacation and sick leave in varying amounts based on collective bargaining agreements, state laws and executive policies.

Government-Wide and Proprietary Fund Financial Statements

Vested or accumulated vacation and sick leave are reported as liabilities and expensed as incurred.

Governmental Fund Financial Statements

Vested or accumulated vacation and sick leave, which will be liquidated with expendable available financial resources, are reported as expenditures and fund liabilities.

O. Investment Income

Excluding the permanent funds, investment income derived from major and nonmajor governmental funds is legally assigned to the general fund unless otherwise directed by Massachusetts General Law (MGL).

Investment income from proprietary funds is voluntarily assigned and transferred to the general fund.

P. Post Retirement Benefits

Government-Wide and Fund Financial Statements

In addition to providing pension benefits, health insurance coverage is provided for retired employees and their survivors in accordance with MGL, Chapter 32, on a pay-as-you-go basis. The cost of providing health insurance

is recognized by recording the employer's 50% share of insurance premiums in the general fund in the fiscal year paid. For the fiscal year ended June 30, 2005, this expense/expenditure totaled approximately \$2,616,000. There were 742 participants eligible to receive benefits at June 30, 2005.

Q. Use of Estimates

Government-Wide and Fund Financial Statements

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

R. Total Column

Government-Wide Financial Statements

The total column presented on the government-wide financial statements represents consolidated financial information.

Fund Financial Statements

The total column on the fund financial statements is presented only to facilitate financial analysis. Data in this column is not the equivalent of consolidated financial information.

NOTE 2 – CASH AND INVESTMENTS

A cash and investment pool is maintained that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Short-term Investments". The deposits and investments of the trust funds are held separately from those of other funds.

Statutes authorize the investment in obligations of the U. S. Treasury, agencies, and instrumentalities, certificates of deposit, repurchase agreements, money market accounts, bank deposits and the State Treasurer's Investment Pool (the Pool). The Treasurer may also invest trust funds in securities, other than mortgages or collateral loans, which are legal for the investment of funds of savings banks under the laws of the Commonwealth.

The Pool meets the criteria of an external investment pool. The Pool is administered by the Massachusetts Municipal Depository Trust (MMDT), which was established by the Treasurer of the Commonwealth who serves as Trustee. The fair value of the position in the Pool is the same as the value of the Pool shares.

Custodial Credit Risk

In the case of deposits, this is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk.

At fiscal year-end the carrying amount (book value) of the primary government's deposits totaled \$29,791,921 and the bank balances totaled \$33,357,483. Of the bank balance, \$905,857 was covered by Federal Depository Insurance, and \$32,451,626 was exposed to custodial credit risk because it was uninsured and uncollateralized.

At December 31, 2004, the carrying amount (book value) of the Retirement System's deposits totaled \$934,502 and the bank balance totaled \$1,209,564 which was covered by Federal Depository Insurance.

As of June 30, 2005 the Town had the following investments:

Investment Type	Fair Value	Under	Maturity		Rating
		1 Year	1-5 Years	6-10 Years	
<u>Debt Securities</u>					
U.S. Government Agencies....	\$ 9,633,689	\$ 9,037,077	\$ 496,393	\$ 100,219	AAA
U.S. Treasury Notes.....	<u>722,266</u>	<u>-</u>	<u>621,145</u>	<u>101,121</u>	AAA
Total Debt Securities.....	10,355,955	<u>\$ 9,037,077</u>	<u>\$ 1,117,538</u>	<u>\$ 201,340</u>	
<u>Other Investments</u>					
Equity Securities.....	2,848,883				
Money Market Mutual Funds...	352,610				
MMDT.....	<u>12,944,866</u>				
Total Investments.....	<u>\$ 26,502,314</u>				

As of December 31, 2004 the Retirement System had the following investments:

Investment Type	Fair Value	Maturity				Rating
		Under 1 Year	1-5 Years	6-10 Years	Over 10 Years	
Debt Securities						
U.S. Government Agencies.... \$	5,248,830	\$ -	\$ 925,228	\$ 621,371	\$ 3,702,231	AAA
U.S. Treasury Notes.....	1,473,519	-	563,859	85,651	824,009	AAA
Corporate Bonds.....	5,839,615	-	1,371,811	-	4,467,804	AAA
Corporate Bonds.....	54,711	-	-	-	54,711	A+
Corporate Bonds.....	137,227	-	-	-	137,227	AA
Corporate Bonds.....	66,290	-	-	-	66,290	AA-
Corporate Bonds.....	843,728	164,639	104,214	69,223	505,652	A
Corporate Bonds.....	733,883	-	29,550	269,081	435,252	A-
Corporate Bonds.....	283,950	-	-	198,700	85,250	BB
Corporate Bonds.....	866,828	-	802,062	-	64,766	BB+
Corporate Bonds.....	1,322,168	-	-	1,322,168	-	BBB+
Corporate Bonds.....	2,612,336	-	1,295,088	634,144	683,104	BBB
Corporate Bonds.....	1,552,243	-	571,708	756,898	223,637	BBB-
Corporate Bonds.....	1,585,896	741,783	70,383	-	773,730	Not Rated
Total Debt Securities.....	22,621,224	\$ <u>906,422</u>	\$ <u>5,733,903</u>	\$ <u>3,957,236</u>	\$ <u>12,023,663</u>	
Other Investments						
Equity Securities.....	44,857,725					
Equity Mutual Funds.....	59,951,407					
PRIT Funds.....	105,707					
Total Investments.....	\$ <u>127,536,063</u>					

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the Town will not be able to recover the value of its investments or collateral security that are in the possession of an outside party.

Of the Town's total investments of \$26,502,314 there was custodial credit risk exposure of \$12,482,572 which is equal to the investments in U.S. Government Agencies in the amount of \$9,633,883 and \$2,848,883 in equity securities because the related securities are uninsured, unregistered and held by the counterparty. The Town does not have an investment policy for custodial credit risk.

Of the Retirement System's total investments of \$127,536,063 there was custodial credit risk exposure of \$66,005,430 which is equal to the \$5,248,830 invested in U.S. Government Agencies, \$15,898,875 invested in corporate bonds, and \$44,857,725 invested in equity securities because the related securities are uninsured, unregistered and held by the counterparty.

The Retirement System has a policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 47% of the System's assets can be invested in domestic equities, up to 15% in international equities, up to 35% in fixed income and 3% in alternative investments.

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The System's policy states that the average duration of the managed portfolio shall not be more than 75% to 125% of the representative benchmark. The representative benchmarks are defined as follows:

<u>Investment Class</u>	<u>Benchmark</u>
Large Cap Growth Equity	Russell 1000 Growth
Large Cap Index Equity	S & P 500
Large Cap Core Equity	S & P 500
Large Cap Value Equity	Russell 1000 Value
Small Cap Equity	Russell 2000
International Equity	MSCI EAFE
Fixed Income	Lehman Brothers Aggregate Index
Alternatives-Private Equity	S & P 500

Credit Risk

The Town has not adopted a formal policy related to Credit Risk.

The Retirement System has a policy that requires that no more than 20% of fixed income assets may be invested in below investment grade securities.

Concentration of Credit Risk

The Town does not have a formal policy that limits the amount the Town may invest in any one issuer.

The System's policy states that the concentration per equity issuer cannot exceed 5% and concentration per fixed income issuer cannot exceed 10% of the portfolio market value at the time of purchase. Investments in United States Treasuries, United States Agencies and cash or cash-equivalents are exempt from this policy. In addition, with the exception of United States Treasuries or United States Agencies, any investment may not represent more than 5% of the outstanding shares of any single issuer. For securities that comprise more than 5% of the benchmark, the portfolio may hold up to 1.5 times the benchmark weight, at market, provided that there has been prior approval from the Board.

Investments in 144A debt and other private placement issues are limited to 15% of the fixed income portfolio market value. Mutual fund and other fixed income investments in emerging markets are permitted up to 10% of the total fixed income portfolio value.

NOTE 3 – RECEIVABLES

At June 30, 2005, receivables for the individual major, non-major governmental funds and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Real estate, personal property and tax deferrals	\$ 2,586,631	\$ (134,688)	\$ 2,451,943
Tax liens.....	308,112	-	308,112
Motor vehicle excise taxes.....	661,407	(333,993)	327,414
Departmental and other.....	145,105	(27,021)	118,084
Intergovernmental.....	11,358,034	-	11,358,034
Total.....	<u>\$ 15,059,289</u>	<u>\$ (495,702)</u>	<u>\$ 14,563,587</u>

At June 30, 2005, receivables for the sewer, water, and electric enterprise funds consist of the following:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Sewer fees.....	417,872	-	417,872
Water fees.....	459,192	-	459,192
Electric light fees.....	2,167,334	-	2,167,334
Total.....	<u>\$ 3,044,398</u>	<u>\$ -</u>	<u>\$ 3,044,398</u>

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of *deferred revenue* reported in the governmental funds were as follows:

	General Fund	Other Governmental Funds	Total
<u>Receivable type:</u>			
Real estate and personal property taxes.....	\$ 2,249,834	\$ -	\$ 2,249,834
Tax liens.....	308,112	-	308,112
Motor vehicle excise.....	327,414	-	327,414
Departmental and other.....	47,466	70,618	118,084
Intergovernmental.....	9,187,077	1,829,815	11,016,892
Total.....	<u>\$ 12,119,903</u>	<u>\$ 1,900,433</u>	<u>\$ 14,020,336</u>

NOTE 4 – CAPITAL ASSETS

A summary of changes in capital asset activity for the fiscal year ended June 30, 2005, is as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
<u>Capital assets not being depreciated:</u>				
Land.....	\$ 3,658,656	\$ -	\$ -	\$ 3,658,656
Construction in progress.....	12,072,024	5,358,446	(12,072,024)	5,358,446
Total capital assets not being depreciated.....	15,730,680	5,358,446	(12,072,024)	9,017,102
<u>Capital assets being depreciated:</u>				
Improvements other than buildings.....	1,111,301	-	-	1,111,301
Buildings.....	84,618,825	12,129,150	-	96,747,975
Machinery and equipment.....	7,542,499	714,257	(180,000)	8,076,756
Public domain infrastructure.....	3,308,796	-	-	3,308,796
Total capital assets being depreciated.....	96,581,421	12,843,407	(180,000)	109,244,828
<u>Less accumulated depreciation for:</u>				
Improvements other than buildings.....	(224,380)	(38,044)	-	(262,424)
Buildings.....	(27,693,481)	(2,207,126)	-	(29,900,607)
Machinery and equipment.....	(3,661,462)	(621,586)	180,000	(4,103,048)
Public domain infrastructure.....	(19,039)	(92,842)	-	(111,881)
Total accumulated depreciation.....	(31,598,362)	(2,959,598)	180,000	(34,377,960)
Total capital assets being depreciated, net.....	64,983,059	9,883,809	-	74,866,868
Total governmental activities capital assets, net.....	\$ 80,713,739	\$ 15,242,255	\$ (12,072,024)	\$ 83,883,970

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Business Type Activities:				
<u>Capital assets not being depreciated:</u>				
Land and land rights.....	\$ 267,946	\$ -	\$ -	267,946
Construction in progress.....	877,300	632,079	(97,843)	1,411,536
Total capital assets not being depreciated.....	1,145,246	632,079	(97,843)	1,679,482
<u>Capital assets being depreciated:</u>				
Plant in service.....	86,428,816	\$ 4,051,279	(105,591)	90,374,504
Vehicles and other equipment.....	4,596,701	412,475	(52,843)	4,956,333
Total capital assets being depreciated.....	91,025,517	4,463,754	(158,434)	95,330,837
<u>Less accumulated depreciation for:</u>				
Plant in service.....	(33,511,468)	(2,263,250)	71,730	(35,702,988)
Vehicles and other equipment.....	(2,481,516)	(275,442)	20,736	(2,736,222)
Total accumulated depreciation.....	(35,992,984)	(2,538,692)	92,466	(38,439,210)
Total capital assets being depreciated, net.....	55,032,533	1,925,062	(65,968)	56,891,627
Total business-type activities capital assets, net.....	\$ <u>56,177,779</u>	\$ <u>2,557,141</u>	\$ <u>(163,811)</u>	\$ <u>58,571,109</u>

Depreciation expense was charged to functions/programs of the Town as follows:

Governmental Activities:

General government.....	\$ 362,725
Public safety.....	182,379
Education.....	1,195,921
Public works.....	607,251
Library.....	370,155
Recreation.....	241,167

Total depreciation expense - governmental activities..... \$ 2,959,598

Business-Type Activities:

Sewer.....	\$ 254,453
Water.....	721,869
Electric light.....	1,562,370

Total depreciation expense - business-type activities..... \$ 2,538,692

NOTE 5 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The Town did not have any receivables or payables between funds at June 30, 2005. Interfund transfers for the fiscal year ended June 30, 2005, are summarized as follows:

Transfers Out:	Transfers In:			Total
	General Fund	Nonmajor Governmental Funds	Internal Service Funds	
General Fund.....	\$ -	\$ 125,000	\$ -	\$ 125,000 (1)
Capital Projects.....	278,032	-	-	278,032 (2)
Nonmajor Governmental Funds.....	260,900	-	-	260,900 (3)
Electric Light Department.....	1,000,000	-	391,000	1,391,000 (4)
Total.....	<u>\$ 1,538,932</u>	<u>\$ 125,000</u>	<u>\$ 391,000</u>	<u>\$ 2,054,932</u>

(1) Represents budgeted transfers from the General Fund to the Unemployment Fund and the Reserve Fund.

(2) Represents budgeted transfers from the capital projects fund for School and DPW capital needs.

(3) Represents budgeted transfers from traffic management and from the stabilization fund.

(4) Transfer in from the electric fund as a payment in lieu of taxes in the general fund and as a payment to the internal service fund to help defray the cost of Town-wide software upgrades.

NOTE 6 – SHORT-TERM FINANCING

Short-term debt may be authorized and issued to fund the following:

- Current operating costs prior to the collection of revenues through issuance of revenue or tax anticipation notes (RANS or TANS).
- Capital project costs and other approved expenditures incurred prior to obtaining permanent financing through issuance of bond anticipation notes (BANS) or grant anticipation notes (GANS).

Short-term loans are general obligations and carry maturity dates that are limited by statute. Interest expenditures and expenses for short-term borrowings are accounted for in the general fund.

Details related to the short-term debt activity for the fiscal year ended June 30, 2005, is as follows:

Type	Purpose	Rate (%)	Due Date	Balance at June 30, 2004	Renewed/ Issued	Retired/ Redeemed	Balance at June 30, 2005
BAN	School/Planning Renovation	2.49	06/02/05	\$ 9,395,000	\$ -	\$ 9,395,000	\$ -
BAN	Fire Planning/Renovation.....	2.49	06/02/05	540,000	-	540,000	-
BAN	Warren Building.....	2.49	06/02/05	450,000	-	450,000	-
BAN	School/Planning Renovation	3.75	08/15/05	-	2,792,974	-	2,792,974
BAN	Road Improvements.....	3.375	08/15/05	-	1,897,500	-	1,897,500
Total.....				\$ <u>10,385,000</u>	\$ <u>4,690,474</u>	\$ <u>10,385,000</u>	\$ <u>4,690,474</u>

NOTE 7 – LONG-TERM DEBT

Under the provisions of Chapter 44, Section 10, Municipal Law authorizes indebtedness up to a limit of 5% of the equalized valuation. Debt issued in accordance with this section of the law is designated as being "inside the debt limit". In addition, however, debt may be authorized in excess of that limit for specific purposes. Such debt, when issued, is designated as being "outside the debt limit".

Details related to the outstanding indebtedness at June 30, 2005, and the debt service requirements are as follows:

Project	Date of Issue	Interest Rate (%)	Outstanding at June 30, 2004	Issued	Redeemed	Outstanding at June 30, 2005
Inside Debt Limit						
Police Station Renovation.....	1995	4.10 - 5.0	\$ 500,000	\$ -	\$ 500,000	\$ -
Storm Drain Improvements.....	1996	4.20 - 5.90	58,000	-	29,000	29,000
Street Improvements.....	2001	4.0 - 4.75	540,000	-	180,000	360,000
Street/Sidewalk Amenities.....	2001	4.0 - 4.75	520,000	-	130,000	390,000
Land Acquisition.....	2001	4.0 - 4.75	165,000	-	85,000	80,000
Pond Restoration.....	2004	2.50 - 5.0	115,000	-	30,000	85,000
Barton Road Improvements.....	2004	2.50 - 5.0	180,000	-	60,000	120,000
Streets & Traffic.....	2004	2.50 - 5.0	60,000	-	60,000	-
Street Improvements.....	2004	2.50 - 5.0	170,000	-	60,000	110,000
Fields & Bleachers.....	2004	2.50 - 5.0	100,000	-	15,000	85,000
New Library.....	2004	2.50 - 5.0	7,250,000	-	405,000	6,845,000
Warren Building Design.....	2004	2.50 - 5.0	180,000	-	10,000	170,000
Glen Road Sidewalk.....	2004	2.50 - 5.0	35,000	-	20,000	15,000
Hunnewell Field/Courts.....	2004	2.50 - 5.0	285,000	-	25,000	260,000
Streets.....	2004	2.50 - 5.0	120,000	-	60,000	60,000
Middle School Plans.....	2004	2.50 - 5.0	365,000	-	125,000	240,000
Warren Renovation.....	2004	2.50 - 5.0	6,800,000	-	380,000	6,420,000
Middle School.....	2005	3.25 - 4.125	-	9,000,000	-	9,000,000
Middle School.....	2005	3.25 - 4.125	-	2,285,000	-	2,285,000
Modular Classrooms.....	2005	3.25 - 4.125	-	2,830,000	-	2,830,000
Roads.....	2005	3.25 - 4.125	-	1,150,000	-	1,150,000
High School Plans.....	2005	3.25 - 4.125	-	650,000	-	650,000
Fire Equipment.....	2005	3.25 - 4.125	-	540,000	-	540,000
Warren Building.....	2005	3.25 - 4.125	-	450,000	-	450,000
Traffic/Parking.....	2005	3.25 - 4.125	-	285,000	-	285,000
DPW Design.....	2005	3.25 - 4.125	-	100,000	-	100,000
Total Inside Debt Limit.....			<u>17,443,000</u>	<u>17,290,000</u>	<u>2,174,000</u>	<u>32,559,000</u>
Outside Debt Limit						
Solid Waste Improvements.....	1996	4.20 - 5.90	692,000	-	346,000	346,000
Sprague School Renovation.....	2001	4.0 - 4.75	13,770,000	-	675,000	13,095,000
Bates School Renovation.....	2003	2.0 - 3.0	4,955,000	-	555,000	4,400,000
Total Outside Debt Limit.....			<u>19,417,000</u>	<u>-</u>	<u>1,576,000</u>	<u>17,841,000</u>
Total			<u>\$ 36,860,000</u>	<u>\$ 17,290,000</u>	<u>\$ 3,750,000</u>	<u>\$ 50,400,000</u>

Debt service requirements for principal and interest for Governmental bonds payable in future fiscal years are as follows:

<u>Fiscal Year</u>		<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2006	\$	4,520,000	\$	1,919,574	\$	6,439,574
2007		4,970,000		1,767,188		6,737,188
2008		4,755,000		1,601,487		6,356,487
2009		4,625,000		1,441,038		6,066,038
2010		4,620,000		1,274,749		5,894,749
2011		4,600,000		1,099,345		5,699,345
2012		3,940,000		918,983		4,858,983
2013		3,770,000		764,343		4,534,343
2014		3,220,000		620,043		3,840,043
2015		3,170,000		491,333		3,661,333
2016		2,760,000		355,288		3,115,288
2017		1,850,000		230,063		2,080,063
2018		450,000		144,563		594,563
2019		450,000		126,563		576,563
2020		450,000		108,563		558,563
2021		450,000		90,563		540,563
2022		450,000		72,563		522,563
2023		450,000		54,563		504,563
2024		450,000		36,563		486,563
2025		450,000		18,563		468,563
Total	\$	<u>50,400,000</u>	\$	<u>13,135,931</u>	\$	<u>63,535,931</u>

The Town has been approved to receive school construction assistance through the Massachusetts School Building Authority (MSBA). The MSBA provides resources for eligible construction costs and related debt interest and borrowing costs. The Town was approved for grants equal to 57% of allowable costs, as defined, for the renovation/expansion projects of the Sprague and Bates Elementary Schools. During fiscal year 2005 the Town received 75% of the estimated reimbursement equal to \$3,667,026 for the Bates project which is recorded as intergovernmental revenue in the capital projects fund. The balance of the expected reimbursement for Bates, \$1,616,597, has been recorded as an intergovernmental receivable and deferred revenue in the capital projects fund. The Sprague project will be reimbursed over a 12 year period beginning in FY2005. The Town received the first payment amounting to \$613,254 during the year and expects to receive the balance of \$6,840,223 over the next 11 years and has been recorded in a similar fashion as described above. The deferred revenue relating to the grants has been recognized as revenue in the conversion to the government-wide financial statements in prior fiscal years. Included in educational expenses on the entity-wide financial statements is approximately \$6.1 million relating to previously recorded receivables under the school reimbursement program. During FY2005 these costs were determined to be in excess of the maximum allowable costs under the grant program and were reclassified as grant expenses in accordance with GASB 33.

The Town is subject to various debt limits by statute and may issue additional general obligation debt under the normal debt limit. At June 30, 2005, the Town had the following authorized and un-issued debt:

<u>Purpose</u>	<u>Amount</u>
Middle School Construction.....	\$ 17,175,000
Bates School Remodeling.....	2,792,974
Water Meters.....	400,000
Town Hall Renovations.....	90,000
Total.....	<u>\$ 20,457,974</u>

Bonds and Notes Payable Schedule – Enterprise Funds

<u>Project</u>	<u>Date of Issue</u>	<u>Interest Rate (%)</u>	<u>Outstanding at June 30, 2004</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding at June 30, 2005</u>
Water System Improvements....	1998	5.25	\$ 3,870,000	\$ -	\$ 430,000	\$ 3,440,000
MWRA Sewer Bond.....	2004	0	115,080	-	23,016	92,064
MWRA Sewer Bond.....	2005	0	-	162,890	-	162,890
Total.....			<u>\$ 3,985,080</u>	<u>\$ 162,890</u>	<u>\$ 453,016</u>	<u>\$ 3,694,954</u>

Debt service requirements for principal and interest for enterprise fund bonds and notes payable in future fiscal years are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 485,594	\$ 159,315	\$ 644,909
2007	485,594	140,395	625,989
2008	485,594	121,260	606,854
2009	485,594	101,910	587,504
2010	462,578	82,130	544,708
2011	430,000	61,920	491,920
2012	430,000	41,495	471,495
2013	430,000	20,855	450,855
Total	<u>\$ 3,694,954</u>	<u>\$ 729,280</u>	<u>\$ 4,424,234</u>

The Massachusetts Water Resource Authority (MWRA) operates an Infiltration/Inflow Financial Assistance Program for community owned collection systems. For each community approved for the project, financial assistance received from the MWRA consists of a grant and non-interest bearing loan. In prior years \$115,080 of loans subject to repayment were received from this program. During fiscal year 2005, another \$217,187 was received. Of the FY2005 amount, \$54,297 was a grant and \$162,890 was a loan. The loan portions are payable in five equal annual installments with no interest. At June 30, 2005, the outstanding principal amount of these loans totaled \$254,954.

Changes in Long-term Liabilities

During the fiscal year ended June 30, 2005, the following changes occurred in long-term liabilities:

	Balance June 30, 2004	Bonds and Notes Issued	Bonds and Notes Redeemed	Other Increases	Other Decreases	Balance June 30, 2005	Current Amount Due
Governmental Activities:							
Long-Term Bonds and Notes.....	\$ 36,860,000	\$ 17,290,000	\$ (3,750,000)	\$ -	\$ -	\$ 50,400,000	\$ 9,210,474
Workers' Compensation.....	711,000	-	-	247,000	(214,000)	744,000	223,000
Compensated Absences.....	736,403	-	-	112,600	(142,003)	707,000	139,750
Total Governmental Activities.....	<u>38,307,403</u>	<u>17,290,000</u>	<u>(3,750,000)</u>	<u>359,600</u>	<u>(356,003)</u>	<u>51,851,000</u>	<u>9,573,224</u>
Business Type Activities:							
Long-Term Bonds and Notes.....	3,985,080	162,890	(453,016)	-	-	3,694,954	485,594
Compensated Absences.....	45,171	-	-	26,774	(22,990)	48,955	25,955
Total Business Type Activities.....	<u>4,030,251</u>	<u>162,890</u>	<u>(453,016)</u>	<u>26,774</u>	<u>(22,990)</u>	<u>3,743,909</u>	<u>511,549</u>
Total.....	<u>\$ 42,337,654</u>	<u>\$ 17,452,890</u>	<u>\$ (4,203,016)</u>	<u>\$ 386,374</u>	<u>\$ (378,993)</u>	<u>\$ 55,594,909</u>	<u>\$ 10,084,773</u>

Internal service funds predominantly serve the governmental funds. Accordingly, the internal service fund's long-term liabilities are included as part of the governmental activities totals above. At fiscal year end, \$744,000 of internal service funds accrued workers compensation liability is included above. Except for the amounts related to the internal service funds, the governmental activities long-term liabilities are generally liquidated by the general fund. Compensated absence liabilities related to both governmental and business-type activities are normally paid from the funds reporting payroll and related expenditures, namely the general fund and the water and electric enterprise funds.

NOTE 8 – RISK FINANCING

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has purchased commercial insurance for these risks, except for those risks identified in the following paragraphs, which the Town accounts for in its Internal Service Fund. The amount of claim settlements has not exceeded insurance coverage in any of the previous three fiscal years.

During 1991, the Town entered into an agreement with certain suburban communities and other governmental units forming the West Suburban Health Group (the "Group"). The purpose of the Group is for the joint negotiation and purchase of health coverage with an insurance carrier. Under these agreements, the insurance claims of the covered employees are paid for by the insurance carrier and are subsequently reimbursed by the Group. The Group charges monthly premiums to each governmental unit based upon requirements established through underwriting or actuarial estimates. The Group also maintains a deposit with the insurance carrier which is sufficient to cover two months of claims paid by the carrier for the Group. In addition, the Group provides full reinsurance coverage for all claim costs in excess of \$150,000 per covered employee.

In the event of a dissolution of the Group or if the assets of the Group are insufficient to pay claims which occur, the Town remains liable. As of June 30, 2005, the Group had a fund balance of approximately \$5,400,000. The Town's liability is not based on its participants' claims but on the pro rata share of any deficit based on the ratio of the Town's members to total participants at the time of dissolution. At June 30, 2005, the Town's mandatory deposit, discussed above, is sufficient to cover the Town's projected liability as of that date.

The Town is self-insured for workers' compensation claims. An actuary, Tillinghast-Towers Perrin, was hired to estimate the losses which the Town would have to pay under the self-insured plan. The Town recorded a liability in its Internal Service Fund to reserve against future losses. This liability includes a provision for estimated claims incurred but not reported. In addition to these reserves, the Town retains insurance against claims in excess of \$250,000 per employee.

Changes in the Workers' Compensation Fund claims liability amount for the fiscal years ended June 30 were as follows:

	Balance at Beginning of Fiscal Year	Current Year Claims and Changes in Estimate	Claims Payments	Balance at Fiscal Year-End	Current Portion
Fiscal Year 2004.....	\$ 763,000	\$ 296,795	\$ (348,795)	\$ 711,000	\$ 214,000
Fiscal Year 2005.....	711,000	227,550	(194,550)	744,000	223,000

NOTE 9 – CONTRIBUTORY RETIREMENT SYSTEM

Plan Description - The Town contributes to the System, a cost-sharing multiple-employer defined benefit pension plan administered by the Wellesley Contributory Retirement Board. Substantially all employees are members of the System, except for public school teachers and certain administrators who are members of the Massachusetts Teachers Retirement System, to which the Town does not contribute. Pension benefits and administrative expenses paid by the Teachers Retirement Board are the legal responsibility of the Commonwealth. The amount of these on-behalf payments totaled approximately \$6,912,000 for the fiscal year ended June 30, 2005, and, accordingly, are reported in the general fund as intergovernmental revenues and pension expenditures.

The System provides retirement, disability and death benefits to plan members and beneficiaries. Chapter 32 of the MGL assigns authority to establish and amend benefit provisions of the plan. Cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth's state law during those years are borne by the Commonwealth and are deposited into the pension fund. Cost-of-living adjustments granted after 1997 must be approved by the Wellesley Contributory Retirement Board and are borne by the System.

At December 31, 2004, the System's membership consists of the following:

Active members.....	654
Inactive members.....	131
Disabled members.....	27
Retirees and beneficiaries currently receiving benefits.....	<u>391</u>
Total.....	<u><u>1,203</u></u>

Funding Policy - Plan members are required to contribute to the System at rates ranging from 5% to 11% of annual covered compensation. The Town is required to pay into the System its share of the system-wide actuarial determined contribution that is apportioned among the employers based on active current payroll. Administrative expenses are funded through investment earnings. The current and two preceding fiscal years apportionment of the annual pension cost between the two employers required the Town to contribute 0%, 0% and 99%, respectively, of the total. Chapter 32 of the MGL governs the contributions of plan members and the Town.

Annual Pension Cost - The Town's contributions to the System for the fiscal years ended June 30, 2005, 2004, and 2003 were \$0, \$0, and \$741,412, respectively, which equaled its required contribution for each fiscal year. At June 30, 2005, the Town did not have a net pension obligation. The required contribution was determined as part of the January 1, 2004, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 7.0% investment rate of return and projected salary increases of 4.0% per year. The actuarial value of the System's assets was determined using techniques that smooth the short-term volatility in the market value of investments over a three year period.

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) Entry Age (B)	Unfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a Percentage of Covered Payroll ((B-A)/C)
01/01/04	\$ 116,792,365	\$ 112,846,159	\$ (3,946,206)	103.5%	\$ 23,172,848	-17.0%
01/01/03	119,033,662	114,811,026	(4,222,636)	103.7%	22,572,703	-18.7%
01/01/01	123,291,025	92,278,891	(31,012,134)	133.6%	21,561,329	-143.8%
01/01/99	106,295,893	81,975,372	(24,320,521)	129.7%	17,694,603	-137.4%
01/01/97	78,665,972	69,141,005	(9,524,967)	113.8%	17,800,326	-53.5%
01/01/95	62,744,371	62,680,623	(63,748)	100.1%	16,138,898	-0.4%

The UAAL amounts bracketed in the column above represents an over-funding of the actuarial accrued liability.

Noncontributory Retirement Allowance – The Town pays the entire retirement allowance for certain retirees who are available for benefits but are not members of the System. Benefits are paid by the Town on a pay-as-you-go basis. Total pension expense of this plan for the year ended June 30, 2005 was \$60,000.

NOTE 10 – COMMITMENTS

The Town's major capital projects have been related to school renovations and expansions, the construction of the new library, and the renovation of the Warren building. At June 30, 2005, the library and the Warren projects have been completed. Two projects involving expansion and renovations at the Sprague and Bates elementary schools have been completed and the Town has recently committed to renovate the Middle school at a total cost approximating \$26.2 million.

In July of 2001, the Wellesley Municipal Light Plant (MLP) entered into a Power Supply Agreement with Constellation Power Source, Inc., of Baltimore, Maryland to acquire all of its electricity requirements. The agreement is defined as an "All Requirements Service" contract where all of its requirements mean "the quantity of electricity sufficient to meet the needs of MLP's ultimate customers for the Town of Wellesley". The term of the

Agreement is from June 1, 2002 through September 30, 2007. Contract prices are fixed for the entire period of the agreement. The cost of power acquired under this agreement for the fiscal year ended June 30, 2005 was approximately \$10,269,000.

NOTE 11 - CONTINGENCIES

In February 2001, the EPA notified the Town that it, along with two other parties, had been named as a Potentially Responsible Party (PRP) with regard to an environmental matter involving property owned by the Town adjacent to and beneath Morses Pond. According to the EPA and the Massachusetts Department of Environmental Protection, contaminated fill material containing chromium and other metal was used as fill around a culvert beneath a railroad embankment adjacent to Morses Pond, and that contaminants from this fill came to be located on Town property beneath and adjacent to Morses Pond. Removal actions to correct this problem were completed in or about June 2003. The EPA has estimated the total cost of this project to date at \$3,800,000. In this matter, the EPA has noted its intention to pursue recovery of these costs from the PRP's. To date, no litigation has been commenced and no settlement negotiations have taken place with regard to this matter. The Town believes that it may have meritorious defenses to the EPA's claims but could face some potential liability in connection with this matter.

The Town participates in a number of Federal award programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996 through June 30, 2005, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although it is expected such amounts, if any, to be immaterial.

Various legal actions and claims are pending. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at June 30, 2005, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at June 30, 2005.

NOTE 12 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During fiscal year 2005, the following GASB pronouncements were implemented:

The GASB issued Statement #40, Deposit and Investment Risk Disclosures, an Amendment of GASB Statement #3, which is required to be implemented during fiscal year 2005. This pronouncement has only required changes to the note disclosures.

The GASB issued Statement #44, Economic Condition Reporting: The Statistical Section, which is required to be implemented in Fiscal 2006 however the Town implemented it in Fiscal 2005. This new GASB establishes and modifies requirements related to supplementary information presented in a statistical section. The presentation of a statistical section is not required by this pronouncement. This pronouncement will not impact the basic financial statements it only impacts the statistical section.

Other Future GASB Pronouncements:

The GASB issued Statement #42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries, which is required to be implemented in Fiscal 2006. Management does not believe that this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is required to be implemented in fiscal year 2009. Since the Town has established a separate trust for the funding of postemployment benefits management does not believe that this pronouncement will significantly impact the basic financial statements.

The GASB issued Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which is required to be implemented in fiscal year 2009. Management believes this pronouncement will require additional disclosure and impact the basic financial statements.

The GASB issued Statement # 46, *Net Assets Restricted by Legislation an amendment of GASB Statement No. 34*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. It requires governments to disclose the portion of total net assets that is restricted by enabling legislation. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

The GASB issued Statement # 47, *Accounting for Termination Benefits*. The Statement provides accounting and reporting guidance for state and local governments that offer benefits such as early retirement incentives or severance to employees that are involuntarily terminated. The Statement requires that similar forms of termination benefits be accounted for in the same manner and is intended to enhance both the consistency of reporting for termination benefits and the comparability of financial statements. This statement is required to be implemented in FY2006. Management believes that this statement will not effect the basic financial statements.

Required Supplementary Information

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL

FISCAL YEAR ENDED JUNE 30, 2005

	Budgeted Amounts				
	Original Budget	Final Budget	Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
REVENUES:					
Real estate and personal property taxes, net of tax refunds.....	\$ 66,025,889	\$ 66,025,889	\$ 65,932,022	\$ -	\$ (93,867)
Tax liens.....	-	-	205,990	-	205,990
Motor vehicle and other excise taxes.....	3,815,000	3,815,000	3,945,707	-	130,707
Penalties and interest on taxes.....	150,000	150,000	137,122	-	(12,878)
Payments in lieu of taxes.....	336,000	336,000	344,089	-	8,089
Intergovernmental.....	4,954,809	4,954,809	5,629,765	-	674,956
Departmental and other.....	3,640,853	3,640,853	4,206,933	-	566,080
Investment income.....	575,000	575,000	735,974	-	160,974
TOTAL REVENUES.....	79,497,551	79,497,551	81,137,602	-	1,640,051
EXPENDITURES:					
Current:					
Human Resources Board.....	88,000	11,982	-	-	11,982
General and Financial Maintenance Services:					
Personal Services.....	1,292,009	1,309,801	1,303,779	-	6,022
Expenses.....	763,380	793,380	704,300	5,658	83,422
Capital Outlay.....	94,913	94,913	10,125	45,620	39,168
	2,150,302	2,198,094	2,018,204	51,278	128,612
Human Services:					
Personal Services.....	182,920	187,152	177,187	-	9,965
Expenses.....	113,035	113,035	104,653	89	8,293
Benefits.....	4,500	4,500	1,312	-	3,188
	300,455	304,687	283,152	89	21,446
Public safety and Protective Services.....					
Personal Services.....	7,813,773	7,820,817	7,687,498	-	133,319
Expenses.....	995,219	995,219	916,426	58,459	20,334
Capital Outlay.....	7,612	7,612	2,173	-	5,439
	8,816,604	8,823,648	8,606,097	58,459	159,092
Historical Commission.....	250	250	53	-	197
Historical District Commission.....	250	250	70	-	180
Zoning Board of Appeals:					
Personal Services.....	42,276	42,276	39,014	-	3,262
Expenses.....	8,790	8,790	6,421	-	2,369
	51,066	51,066	45,435	-	5,631
Advisory Committee:					
Personal Services.....	6,448	6,448	5,356	-	1,092
Expenses.....	19,000	31,367	30,286	-	1,081
	25,448	37,815	35,642	-	2,173
Auditing.....	126,830	126,830	112,560	-	14,270
Permanent Building Committee:					
Personal Services.....	4,087	5,011	4,977	-	34
Expenses.....	7,200	7,600	430	350	6,820
	11,287	12,611	5,407	350	6,854
Human Resources Board:					
Personal Services.....	207,646	208,822	195,922	-	12,900
Expenses.....	21,975	21,975	16,092	-	5,883
	229,621	230,797	212,014	-	18,783
Assessors:					
Personal Services.....	148,473	151,475	151,200	-	275
Expenses.....	144,698	144,698	103,693	32,485	8,520
	293,171	296,173	254,893	32,485	8,795
Board of Health:					
Personal Services.....	268,242	272,875	272,875	-	-
Expenses.....	76,478	76,478	65,344	2,905	8,229
Mental Health Services.....	157,808	157,808	150,957	-	6,851
	502,528	507,161	489,176	2,905	15,080
Natural Resources Commission:					
Personal Services.....	142,283	144,523	144,523	-	-
Expenses.....	45,675	70,817	17,386	50,281	3,150
Capital Outlay.....	303,657	303,657	89,625	189,478	24,554
	491,615	518,997	251,534	239,759	27,704

(Continued)

	Budgeted Amounts		Actual Budgetary Amounts	Amounts Carried Forward To Next Year	Variance to Final Budget
	Original Budget	Final Budget			
Planning Board:					
Personal Services.....	132,121	136,776	136,598	-	178
Expenses.....	30,325	30,325	8,496	1,372	20,457
Capital Outlay.....	74,602	74,602	50,000	22,826	1,776
	<u>237,048</u>	<u>241,703</u>	<u>195,094</u>	<u>24,198</u>	<u>22,411</u>
Recreation Commission:					
Personal Services.....	547,057	662,083	650,934	-	11,149
Expenses.....	350,840	531,906	398,028	106,312	27,566
Teen Center Program.....	7,500	7,500	-	-	7,500
Capital Outlay.....	27,608	27,608	9,053	7,342	11,213
	<u>933,005</u>	<u>1,229,097</u>	<u>1,058,015</u>	<u>113,654</u>	<u>57,428</u>
Town Clerk/Election and Registration:					
Personal Services.....	258,187	278,807	269,795	-	9,012
Expenses.....	57,226	66,226	57,029	3,420	5,777
Capital Outlay.....	27,864	27,864	24,000	-	3,864
	<u>343,277</u>	<u>372,897</u>	<u>350,824</u>	<u>3,420</u>	<u>18,653</u>
Legal Services and Expenses.....	<u>386,103</u>	<u>266,103</u>	<u>190,105</u>	<u>25,000</u>	<u>50,998</u>
Reserve Fund.....	<u>175,000</u>	<u>52,754</u>	<u>-</u>	<u>-</u>	<u>52,754</u>
Risk Management.....	<u>360,700</u>	<u>350,700</u>	<u>325,783</u>	<u>24,917</u>	<u>-</u>
Employee Group Life and Health Insurance.....	<u>8,567,000</u>	<u>8,822,000</u>	<u>8,822,000</u>	<u>-</u>	<u>-</u>
Pensions and Annuities.....	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Workers Compensation.....	<u>75,075</u>	<u>75,075</u>	<u>75,075</u>	<u>-</u>	<u>-</u>
Comprehensive Building Maintenance.....	<u>348,488</u>	<u>348,488</u>	<u>226,046</u>	<u>99,390</u>	<u>23,052</u>
Compensated Absences.....	<u>191,228</u>	<u>191,138</u>	<u>25,922</u>	<u>165,216</u>	<u>-</u>
Wellesley Free Library and branches thereof:					
Personal Services.....	1,598,258	1,598,480	1,598,480	-	-
Expenses.....	625,982	654,748	654,741	-	7
Capital Outlay.....	8,149	8,149	3,079	-	5,070
	<u>2,232,389</u>	<u>2,261,377</u>	<u>2,256,300</u>	<u>-</u>	<u>5,077</u>
Public works.....					
Personal Services.....	3,024,546	3,046,026	2,980,878	-	65,148
Expenses.....	2,898,082	3,378,212	3,167,426	776,590	(565,804)
Capital Outlay.....	1,130,304	1,101,770	1,016,027	83,803	1,940
	<u>7,052,932</u>	<u>7,526,008</u>	<u>7,164,331</u>	<u>860,393</u>	<u>(498,716)</u>
Fire and Traffic Signal Systems.....	<u>146,602</u>	<u>146,602</u>	<u>107,434</u>	<u>39,168</u>	<u>-</u>
Education:					
Operations.....	43,130,477	43,174,729	40,879,517	2,289,911	5,301
Capital Outlay.....	856,098	1,243,908	590,362	653,546	-
	<u>43,986,575</u>	<u>44,418,637</u>	<u>41,469,879</u>	<u>2,943,457</u>	<u>5,301</u>
State and county charges.....	<u>-</u>	<u>1,035,498</u>	<u>989,645</u>	<u>-</u>	<u>45,853</u>
Debt service:					
Principal.....	5,169,188	3,750,000	3,750,000	-	-
Interest.....	-	1,703,944	1,693,440	5,050	5,454
	<u>5,169,188</u>	<u>5,453,944</u>	<u>5,443,440</u>	<u>5,050</u>	<u>5,454</u>
TOTAL EXPENDITURES.....	<u>83,352,037</u>	<u>85,972,382</u>	<u>81,074,130</u>	<u>4,689,188</u>	<u>209,064</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	<u>(3,854,486)</u>	<u>(6,474,831)</u>	<u>63,472</u>	<u>(4,689,188)</u>	<u>1,849,115</u>
OTHER FINANCING SOURCES (USES):					
Premium from issuance of bonds.....	-	-	199,649	-	199,649
Transfers in.....	1,538,932	1,538,932	1,538,932	-	-
Transfers out.....	(100,000)	(125,000)	(125,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES).....	<u>1,438,932</u>	<u>1,413,932</u>	<u>1,613,581</u>	<u>-</u>	<u>199,649</u>
NET CHANGE IN FUND BALANCE.....	<u>(2,415,554)</u>	<u>(5,060,899)</u>	<u>1,677,053</u>	<u>(4,689,188)</u>	<u>2,048,764</u>
BUDGETARY FUND BALANCE, Beginning of year.....	<u>7,117,279</u>	<u>7,117,279</u>	<u>7,117,279</u>	<u>-</u>	<u>-</u>
BUDGETARY FUND BALANCE, End of year.....	<u>\$ 4,701,725</u>	<u>\$ 2,056,380</u>	<u>\$ 8,794,332</u>	<u>\$ (4,689,188)</u>	<u>\$ 2,048,764</u>

See notes to required supplementary information.

(Concluded)

NOTE A – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. Budgetary Information**

Municipal Law requires the adoption of a balanced budget that is approved at the Annual Town Meeting. The Town has an advisory committee that submits reports on proposed appropriations at Town Meetings.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations among departments require the approval of Town Meeting.

The majority of appropriations are non-continuing which lapse at the end of each fiscal year. Others are continuing appropriations for which the governing body has authorized that an unspent balance from a prior fiscal year be carried forward and made available for spending in the current fiscal year. These carry forwards are included as part of the subsequent fiscal year's original budget.

Generally, expenditures may not exceed the legal level of spending (salaries, expenses and capital) authorized for an appropriation account. However, the payment of debt service is statutorily required, regardless of whether such amounts are appropriated. Additionally, expenditures for disasters, natural or otherwise, and final judgments may exceed the level of spending authorized.

An annual budget is adopted for the general fund in conformity with the guidelines described above. The original fiscal year 2005 budget consists of approximately \$78,987,000 in appropriations and other amounts to be raised and approximately \$4,465,000 in amounts carried over from previous fiscal years. During fiscal year 2005, the original budget was increased for state and county assessments of \$1,035,000 and additional appropriations totaling approximately \$1,610,000.

The Accounting Office has the responsibility to ensure that budgetary control is maintained. Budgetary control is exercised through the accounting system.

B. Budgetary - GAAP Reconciliation

For budgetary financial reporting purposes, the Uniform Municipal Accounting System basis of accounting (established by the Commonwealth) is followed, which differs from the GAAP basis of accounting. A reconciliation of budgetary-basis to GAAP-basis results for the general fund for the fiscal year ended June 30, 2005, is presented below:

Net change in fund balance, budgetary basis.....	\$	1,677,053
<u>Basis of accounting differences:</u>		
Net change in revenue accrual.....		255,103
Net change in expenditure accrual.....		(199,193)
Net change in tax refunds payable.....		362,671
Recognition of revenue for on-behalf payments.....		6,912,222
Recognition of expenditures for on-behalf payments.....		<u>(6,912,222)</u>
Net change in fund balance, gaap basis.....	\$	<u><u>2,095,634</u></u>

C. Excess of Expenditures Over Appropriations

For the fiscal year ended June 30, 2005, expenditures exceeded appropriations for public works functions, primarily snow and ice appropriations, by approximately \$566,000. This over-expenditure will be funded by available funds during fiscal year 2006.

Combining Statements

Nonmajor Governmental Funds

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

School Lunch Fund – This fund accounts for the cafeteria activities and is funded by user fees and grants.

Community Preservation Fund – This fund is used to account for funds received in accordance with the Community Preservation Act (the CPA). Funds are received under the CPA through a surcharge of up to 3% of the real property tax levy and matching state grants. The funds are spent for the acquisition, creation and preservation of open space, historic resources and affordable housing.

Grant Fund – This fund accounts for Federal and state grants which are designated for specific programs.

Receipts Reserved Fund – This fund accounts for specific receipts identified by the Commonwealth that are to be held until appropriated.

Revolving Fund – This fund accounts for self-supporting programs sponsored by the Town.

Governmental Trust – This fund accounts for statutory trusts where the funds are spent on governmental purposes.

Other – This fund accounts for all other legally established special revenues where the funds are spent on governmental purposes.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs. The Town maintains one fund to account for nonexpendable contributions and expendable earnings that can be spent on governmental purposes.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2005

Special Revenue Funds				
ASSETS	School Lunch	Community Preservation	Grants	Receipts Reserved
Cash and cash equivalents.....	\$ 513,134	\$ 860,216	\$ 355,355	\$ 598,230
Investments.....	-	1,682,105	-	-
Receivables, net of uncollectibles:				
Departmental and other.....	-	16,627	-	-
Intergovernmental.....	-	-	4,340	-
TOTAL ASSETS.....	\$ 513,134	\$ 2,558,948	\$ 359,695	\$ 598,230
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Warrants payable.....	\$ 2,948	\$ 165,077	\$ 71,493	\$ 612
Accrued payroll.....	3,489	-	2,830	3,196
Other liabilities.....	-	11,212	-	-
Deferred revenues.....	-	1,082	-	-
TOTAL LIABILITIES.....	6,437	177,371	74,323	3,808
FUND BALANCES:				
Reserved for:				
Perpetual permanent funds.....	-	-	-	-
Unreserved:				
Undesignated, reported in:				
Special revenue funds.....	506,697	2,381,577	285,372	594,422
Permanent funds.....	-	-	-	-
TOTAL FUND BALANCES.....	506,697	2,381,577	285,372	594,422
TOTAL LIABILITIES AND FUND BALANCES...	\$ 513,134	\$ 2,558,948	\$ 359,695	\$ 598,230

Special Revenue Funds					
Revolving	Governmental Trust	Other	Sub-total	Permanent Fund	Total Nonmajor Governmental Funds
\$ 981,381	\$ 45,908	\$ 735,610	\$ 4,089,834	\$ 34,157	\$ 4,123,991
-	2,404,125	-	4,086,230	730,292	4,816,522
69,536	-	-	86,163	-	86,163
-	-	-	4,340	-	4,340
<u>\$ 1,050,917</u>	<u>\$ 2,450,033</u>	<u>\$ 735,610</u>	<u>\$ 8,266,567</u>	<u>\$ 764,449</u>	<u>\$ 9,031,016</u>
\$ 16,846	\$ -	\$ 57,822	\$ 314,798	\$ 74	\$ 314,872
21,110	-	432	31,057	414	31,471
			11,212		11,212
<u>69,536</u>	<u>-</u>	<u>-</u>	<u>70,618</u>	<u>-</u>	<u>70,618</u>
<u>107,492</u>	<u>-</u>	<u>58,254</u>	<u>427,685</u>	<u>488</u>	<u>428,173</u>
-	-	-	-	220,419	220,419
943,425	2,450,033	677,356	7,838,882	-	7,838,882
-	-	-	-	543,542	543,542
<u>943,425</u>	<u>2,450,033</u>	<u>677,356</u>	<u>7,838,882</u>	<u>763,961</u>	<u>8,602,843</u>
<u>\$ 1,050,917</u>	<u>\$ 2,450,033</u>	<u>\$ 735,610</u>	<u>\$ 8,266,567</u>	<u>\$ 764,449</u>	<u>\$ 9,031,016</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FISCAL YEAR ENDED JUNE 30, 2005

	Special Revenue Funds			
	School Lunch	Community Preservation	Grants	Receipts Reserved
REVENUES:				
Charges for services.....	\$ 897,054	\$ -	\$ -	\$ -
Fines and forfeitures.....	-	-	-	570,784
Intergovernmental.....	117,975	559,717	2,189,894	-
Departmental and other.....	-	-	1	-
Special assessments.....	-	590,772	-	-
Contributions.....	-	15,100	115	-
Investment income.....	-	30,770	-	-
TOTAL REVENUES.....	1,015,029	1,196,359	2,190,010	570,784
EXPENDITURES:				
Current:				
General government.....	-	-	(2,862)	-
Public safety.....	-	-	94,175	-
Public education.....	971,618	-	1,923,111	-
Public works.....	-	-	136,014	-
Health and sanitation.....	-	-	61,365	-
Recreation.....	-	-	39,295	-
Library.....	-	-	-	-
Employee benefits.....	-	-	-	-
Traffic and parking management.....	-	-	-	616,467
Community preservation.....	-	401,717	-	-
TOTAL EXPENDITURES.....	971,618	401,717	2,251,098	616,467
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES.....	43,411	794,642	(61,088)	(45,683)
OTHER FINANCING SOURCES (USES):				
Transfers in.....	-	-	-	-
Transfers out.....	-	-	-	(60,900)
TOTAL OTHER FINANCING SOURCES (USES).....	-	-	-	(60,900)
NET CHANGE IN FUND BALANCES.....	43,411	794,642	(61,088)	(106,583)
FUND BALANCES AT BEGINNING OF YEAR.....	463,286	1,586,935	346,460	701,005
FUND BALANCES AT END OF YEAR.....	\$ 506,697	\$ 2,381,577	\$ 285,372	\$ 594,422

Special Revenue Funds					
<u>Revolving</u>	<u>Governmental Trust</u>	<u>Other</u>	<u>Sub-total</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	23,331	\$ 920,385	\$ -	\$ 920,385
-	-	-	570,784	-	570,784
-	-	1,400,061	4,267,647	-	4,267,647
1,881,138	-	-	1,881,139	-	1,881,139
-	-	-	590,772	-	590,772
20,035	-	376,515	411,765	-	411,765
-	16,937	-	47,707	501	48,208
<u>1,901,173</u>	<u>16,937</u>	<u>1,799,907</u>	<u>8,690,199</u>	<u>501</u>	<u>8,690,700</u>
8,744	-	3,654	9,536	2,518	12,054
519,833	-	13,357	627,365	-	627,365
1,230,930	-	1,553,039	5,678,698	17,988	5,696,686
3,427	-	344	139,785	-	139,785
-	-	27,941	89,306	-	89,306
26,501	-	185,784	251,580	-	251,580
-	28,008	-	28,008	15,707	43,715
32,819	-	-	32,819	58,555	91,374
-	-	-	616,467	-	616,467
-	-	-	401,717	-	401,717
<u>1,822,254</u>	<u>28,008</u>	<u>1,784,119</u>	<u>7,875,281</u>	<u>94,768</u>	<u>7,970,049</u>
<u>78,919</u>	<u>(11,071)</u>	<u>15,788</u>	<u>814,918</u>	<u>(94,267)</u>	<u>720,651</u>
25,000	-	-	25,000	100,000	125,000
-	(200,000)	-	(260,900)	-	(260,900)
<u>25,000</u>	<u>(200,000)</u>	<u>-</u>	<u>(235,900)</u>	<u>100,000</u>	<u>(135,900)</u>
103,919	(211,071)	15,788	579,018	5,733	584,751
<u>839,506</u>	<u>2,661,104</u>	<u>661,568</u>	<u>7,259,864</u>	<u>758,228</u>	<u>8,018,092</u>
<u>\$ 943,425</u>	<u>\$ 2,450,033</u>	<u>\$ 677,356</u>	<u>\$ 7,838,882</u>	<u>\$ 763,961</u>	<u>\$ 8,602,843</u>

Internal Service Funds

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other governmental units, on a cost reimbursement basis.

Network Information Services Fund – This fund is used to control the cost of providing network services to all Town departments.

Vehicle Maintenance Fund – This fund is used to account for the maintenance and fuel costs of all Town vehicles.

Health Insurance Fund – This fund is used to account for the payment of health and other employee benefit programs.

Workers Compensation Fund – This fund is used to account for self-insured activities of providing workers compensation benefits to Town employees.

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS

JUNE 30, 2005

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
ASSETS					
CURRENT:					
Cash and cash equivalents.....	\$ 5,859	\$ 53,916	\$ -	\$ -	\$ 59,775
Investments.....	427,718	-	270,351	436,959	1,135,028
Receivables, net of allowance for uncollectibles:					
Departmental and other.....	-	-	8,487	-	8,487
Total current assets.....	433,577	53,916	278,838	436,959	1,203,290
TOTAL ASSETS.....	433,577	53,916	278,838	436,959	1,203,290
LIABILITIES					
CURRENT:					
Warrants payable.....	118,777	-	-	-	118,777
Accrued payroll.....	29,508	-	-	-	29,508
Workers' compensation.....	-	-	-	223,000	223,000
Total current liabilities.....	148,285	-	-	223,000	371,285
NONCURRENT:					
Workers' compensation.....	-	-	-	521,000	521,000
TOTAL LIABILITIES.....	148,285	-	-	744,000	892,285
NET ASSETS					
Unrestricted.....	\$ 285,292	\$ 53,916	\$ 278,838	\$ (307,041)	\$ 311,005

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FISCAL YEAR ENDED JUNE 30, 2005

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
OPERATING REVENUES:					
Employee contributions	\$ -	\$ -	\$ 4,849,644	\$ -	\$ 4,849,644
Charges for services	790,210	1,078,096	8,822,000	109,973	10,800,279
TOTAL OPERATING REVENUES	790,210	1,078,096	13,671,644	109,973	15,649,923
OPERATING EXPENSES:					
Supplies and services.....	952,885	1,041,184	13,746,671	487,544	16,228,284
OPERATING INCOME (LOSS).....	(162,675)	36,912	(75,027)	(377,571)	(578,361)
NONOPERATING REVENUES (EXPENSES):					
Investment income.....	-	-	40,797	37,715	78,512
INCOME (LOSS) BEFORE OPERATING TRANSFERS.....	(162,675)	36,912	(34,230)	(339,856)	(499,849)
TRANSFERS:					
Transfers in.....	391,000	-	-	-	391,000
CHANGE IN NET ASSETS.....	228,325	36,912	(34,230)	(339,856)	(108,849)
NET ASSETS AT BEGINNING OF YEAR.....	56,967	17,004	313,068	32,815	419,854
NET ASSETS AT END OF YEAR.....	\$ 285,292	\$ 53,916	\$ 278,838	\$ (307,041)	\$ 311,005

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS

FISCAL YEAR ENDED JUNE 30, 2005

	Network Information Services	Fleet Maintenance	Health Insurance	Worker's Compensation	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers and users.....	\$ -	\$ -	\$ 4,849,155	\$ -	\$ 4,849,155
Receipts from interfund services provided.....	790,210	1,078,096	8,822,000	109,973	10,800,279
Payments to employees.....	(482,308)	(795,091)	-	(194,549)	(1,471,948)
Payments for interfund services used.....	(404,877)	(246,093)	(13,746,671)	(259,995)	(14,657,636)
NET CASH FROM OPERATING ACTIVITIES.....	(96,975)	36,912	(75,516)	(344,571)	(480,150)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in.....	391,000	-	-	-	391,000
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from sales and maturities of investments.....	93,203	-	305,070	743,815	1,142,088
Purchase of investments.....	(427,718)	-	(270,351)	(436,959)	(1,135,028)
Investment income.....	-	-	40,797	37,715	78,512
NET CASH FROM INVESTING ACTIVITIES.....	(334,515)	-	75,516	344,571	85,572
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(40,490)	36,912	-	-	(3,578)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	46,349	17,004	-	-	63,353
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 5,859	\$ 53,916	\$ -	\$ -	\$ 59,775
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES:					
Operating income (loss).....	\$ (162,675)	\$ 36,912	\$ (75,027)	\$ (377,571)	\$ (578,361)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Changes in assets and liabilities:					
Departmental and other.....	-	-	(489)	-	(489)
Warrants payable.....	59,781	-	-	-	59,781
Accrued payroll.....	5,919	-	-	-	5,919
Workers' compensation.....	-	-	-	33,000	33,000
Total adjustments.....	65,700	-	(489)	33,000	98,211
NET CASH FROM OPERATING ACTIVITIES.....	\$ (96,975)	\$ 36,912	\$ (75,516)	\$ (344,571)	\$ (480,150)

Fiduciary Funds

Agency Fund – This fund is used to account for payroll withholdings and other amounts held in a fiduciary capacity for nongovernmental purposes.

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	Agency Accounts July 1, 2004	Additions	Deletions	Agency Accounts June 30, 2005
ASSETS				
Cash and cash equivalents.....	\$ 321,579	\$ 19,902,007	\$ (19,859,187)	\$ 364,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Liabilities due depositors.....	\$ 321,579	\$ 19,902,007	\$ (19,859,187)	\$ 364,399
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

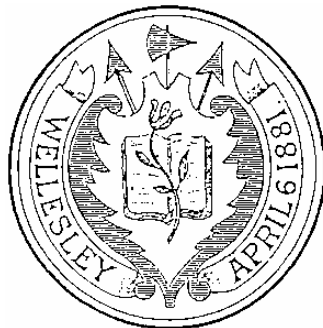
This page left intentionally blank.

Statistical Section

Statistical tables differ from financial statements since they usually cover more than one fiscal year and may present nonaccounting data. The following tables reflect social and economic data, financial trends, and fiscal capacity.



Wellesley is also the home of Babson College which is a nationally recognized leader in higher education for its undergraduate and graduate business programs.



**Town of Wellesley, Massachusetts
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2005**

Statistical Section

This part of the Town of Wellesley's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Town's overall financial health.

Financial Trends

- These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.

Revenue Capacity

- These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.

Debt Capacity

- These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.

Demographic and Economic Information

- These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.

Operating Information

- These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the services the Town provides and the activities it performs.

SOURCES: Unless otherwise noted, the information in these schedules is derived from the audited financial reports for the relevant year. The Town implemented GASB Statement No. 34 in 2003; schedules presenting government-wide information include information beginning in that year.

Town of Wellesley, Massachusetts
Net Assets By Component
Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt.....	\$ 28,393,793	\$ 60,416,766	\$ 56,280,575
Restricted.....	1,753,311	1,035,731	1,854,216
Unrestricted.....	18,866,117	14,638,029	16,201,566
Total governmental activities net assets.....	<u>\$ 49,013,221</u>	<u>\$ 76,090,526</u>	<u>\$ 74,336,357</u>
Business-type activities			
Invested in capital assets, net of related debt.....	48,781,255	52,192,699	54,876,155
Unrestricted.....	15,610,960	16,796,672	18,463,745
Total business-type activities net assets.....	<u>\$ 64,392,215</u>	<u>\$ 68,989,371</u>	<u>\$ 73,339,900</u>
Primary government			
Invested in capital assets, net of related debt.....	77,175,048	112,609,465	111,156,730
Restricted.....	1,753,311	1,035,731	1,854,216
Unrestricted.....	34,477,077	31,434,701	34,665,311
Total primary government net assets.....	<u>\$ 113,405,436</u>	<u>\$ 145,079,897</u>	<u>\$ 147,676,257</u>

Town of Wellesley, Massachusetts
Changes in Net Assets
Last Three Fiscal Years

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government.....	\$ 4,417,008	\$ 3,982,041	\$ 4,922,109
Public safety.....	10,231,912	10,576,430	10,444,322
Public education.....	59,251,315	59,049,160	67,773,355
Public works.....	7,803,930	8,220,603	8,028,150
Health and sanitation.....	569,245	904,649	908,898
Library.....	3,015,690	3,213,639	2,966,722
Recreation.....	1,058,030	1,790,255	1,586,785
Traffic and parking management.....	561,341	592,766	616,467
Community preservation.....	-	-	401,717
Interest.....	1,520,180	1,363,670	1,725,684
State and county charges.....	1,000,627	1,041,780	989,645
Other.....	1,111,107	451,307	486,780
Total government activities expenses.....	90,540,385	91,186,300	100,850,634
Business-type activities:			
Sewer.....	4,912,376	4,999,788	5,030,351
Water.....	3,226,687	3,282,334	3,473,977
Electric.....	16,813,918	15,612,029	15,675,397
Total business-type activities expenses.....	24,952,981	23,894,151	24,179,725
Total primary government expenses.....	\$ 115,493,366	\$ 115,080,451	\$ 125,030,359
Program Revenues			
Governmental activities:			
Education charges for services.....	\$ 1,939,722	\$ 2,136,661	\$ 2,195,309
Public Safety charges for services.....	2,118,225	2,665,474	2,514,000
Other charges for services.....	2,022,302	2,899,267	3,253,376
Education operating grants and contributions.....	10,719,067	11,293,770	13,448,572
Other operating grants and contributions.....	3,468,434	3,897,361	2,106,454
Education capital grant and contributions.....	2,011,335	18,778,000	-
Other capital grant and contributions.....	1,670,009	4,563,015	305,176
Total government activities program revenues.....	23,949,094	46,233,548	23,822,887
Business-type activities:			
Electric Light charges for services.....	20,417,267	20,683,699	20,612,378
Sewer and water charges for services.....	8,273,537	8,424,932	8,614,427
Electric Light capital grant and contributions.....	226,218	270,456	512,127
Other capital grant and contributions.....	34,157	43,625	123,091
Total business-type activities program revenues.....	28,951,179	29,422,712	29,862,023
Total primary government program revenues.....	\$ 52,900,273	\$ 75,656,260	\$ 53,684,910
Net (Expense)/Revenue			
Governmental activities.....	\$ (66,591,291)	\$ (44,952,752)	\$ (77,027,747)
Business-type activities.....	3,998,198	5,528,561	5,682,298
Total primary government net expense.....	\$ (62,593,093)	\$ (39,424,191)	\$ (71,345,449)
General Revenues and other Changes in Net Assets			
Governmental activities:			
Real estate and personal property taxes, net of tax refunds payable.....	\$ 61,585,388	\$ 64,070,276	\$ 67,205,004
Motor vehicle and other excise taxes.....	4,263,663	4,404,140	3,992,408
Grants and contributions, and other not restricted to specific programs.....	2,101,414	2,001,048	1,841,256
Unrestricted investment income.....	1,305,019	554,593	843,910
Transfers.....	1,000,000	1,000,000	1,391,000
Total governmental activities.....	70,255,484	72,030,057	75,273,578
Business-type activities:			
Unrestricted investment income.....	-	68,595	59,231
Transfers.....	(1,000,000)	(1,000,000)	(1,391,000)
Total business type activities.....	(1,000,000)	(931,405)	(1,331,769)
Total primary government.....	\$ 69,255,484	\$ 71,098,652	\$ 73,941,809
Changes in Net Assets			
Governmental activities.....	\$ 3,664,193	\$ 27,077,305	\$ (1,754,169)
Business-type activities.....	2,998,198	4,597,156	4,350,529
Total primary government.....	\$ 6,662,391	\$ 31,674,461	\$ 2,596,360

**Town of Wellesley, Massachusetts
Fund Balances, Governmental Funds
Last Ten Fiscal Years**

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Fund										
Reserved.....	\$ 1,685,444	\$ 2,271,356	\$ 2,241,929	\$ 2,272,726	\$ 3,179,152	\$ 2,527,264	\$ 3,536,857	\$ 3,272,806	\$ 2,718,614	\$ 2,845,563
Unreserved.....	<u>3,102,444</u>	<u>2,839,142</u>	<u>4,999,703</u>	<u>4,959,321</u>	<u>3,021,231</u>	<u>2,736,147</u>	<u>1,812,003</u>	<u>752,661</u>	<u>2,430,987</u>	<u>4,399,672</u>
Total general fund.....	<u>\$ 4,787,888</u>	<u>\$ 5,110,498</u>	<u>\$ 7,241,632</u>	<u>\$ 7,232,047</u>	<u>\$ 6,200,383</u>	<u>\$ 5,263,411</u>	<u>\$ 5,348,860</u>	<u>\$ 4,025,467</u>	<u>\$ 5,149,601</u>	<u>\$ 7,245,235</u>
All Other Governmental Funds										
Reserved.....	\$ 902,617	\$ 1,667,817	\$ 783,779	\$ 414,625	\$ 390,018	\$ 791,785	\$ 1,179,308	\$ 976,456	\$ 221,272	\$ 220,419
Unreserved, reported in:										
Special revenue funds.....	1,126,621	1,147,887	1,462,613	1,536,852	1,839,481	1,795,284	2,198,043	5,288,842	7,385,439	7,838,882
Capital projects funds.....	5,815,610	1,529,957	655,261	109,577	(1,033,613)	13,724,319	(4,465,856)	(17,562,227)	(4,637,594)	11,510,107
Permanent funds.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>507,531</u>	<u>549,688</u>	<u>543,542</u>
Total all other governmental funds.....	<u>\$ 7,844,848</u>	<u>\$ 4,345,661</u>	<u>\$ 2,901,653</u>	<u>\$ 2,061,054</u>	<u>\$ 1,195,886</u>	<u>\$ 16,311,388</u>	<u>\$ (1,088,505)</u>	<u>\$ (10,789,398)</u>	<u>\$ 3,518,805</u>	<u>\$ 20,112,950</u>

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.

Town of Wellesley, Massachusetts
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years

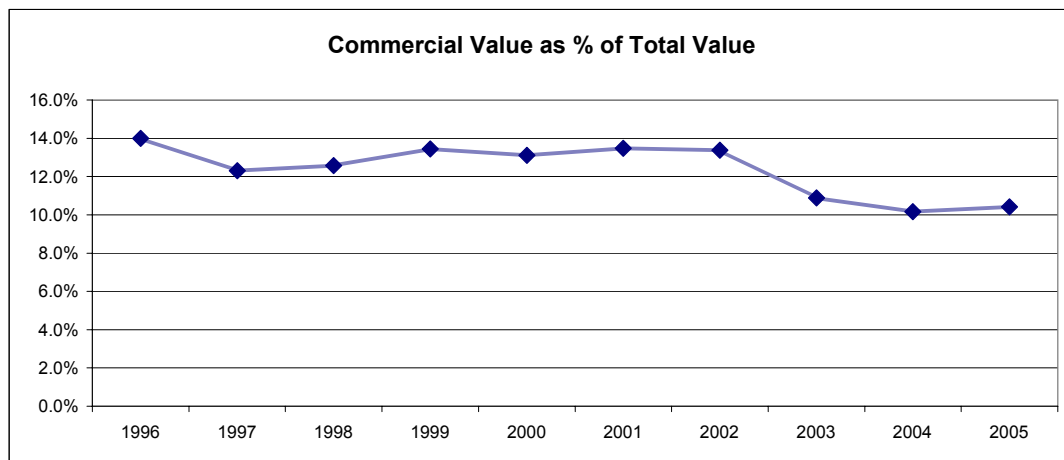
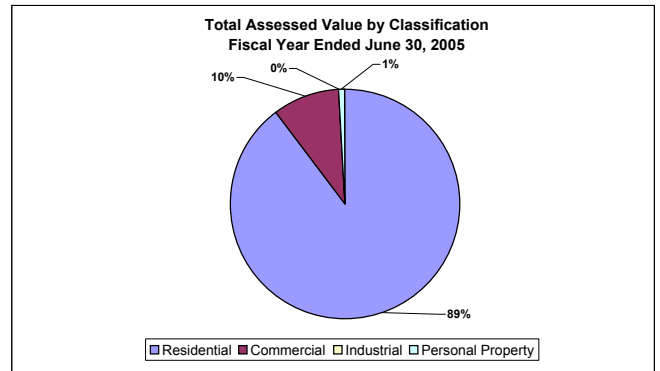
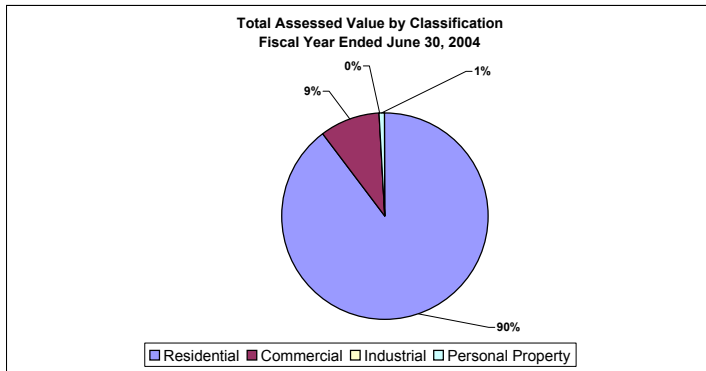
	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues:										
Real estate and personal property taxes, net of tax refunds.....	\$ 38,396,351	\$ 40,194,771	\$ 41,841,680	\$ 43,700,115	\$ 45,605,810	\$ 48,364,287	\$ 53,717,036	\$ 58,104,152	\$ 62,151,256	\$ 66,459,298
Motor vehicle and other excise taxes.....	2,544,170	3,016,942	3,120,428	3,391,300	3,866,212	3,837,247	3,903,497	3,827,688	3,846,238	3,945,707
Charges for Service.....	476,655	522,044	582,928	765,218	889,807	973,019	781,649	874,822	875,507	920,385
Intergovernmental.....	6,075,752	7,351,233	6,797,143	6,677,170	12,986,064	14,330,776	14,265,410	15,013,111	16,877,556	20,721,836
Departmental and other.....	6,003,979	6,223,074	7,447,691	6,805,195	7,835,937	8,470,025	7,531,475	9,891,755	11,517,294	9,074,274
Total Revenue.....	53,496,907	57,308,064	59,789,870	61,338,998	71,183,830	75,975,354	80,199,067	87,711,528	95,267,851	101,121,500
Expenditures:										
General government.....	2,422,151	2,878,821	3,139,604	3,451,799	3,317,580	3,496,629	3,362,292	3,772,208	3,233,489	4,113,096
Public safety.....	6,064,640	6,396,881	6,630,689	7,910,500	8,388,383	8,554,234	8,951,996	8,976,386	8,917,285	8,979,145
Education.....	24,446,555	26,333,935	29,883,959	31,909,391	34,656,803	37,205,546	39,856,136	47,247,590	45,058,667	47,036,196
Public works.....	6,617,985	8,486,383	6,766,789	5,934,637	5,905,897	6,545,059	6,645,808	7,198,459	7,071,277	6,832,213
Health and sanitation.....	344,863	348,368	345,084	370,497	404,011	417,514	509,806	530,201	855,613	861,634
Recreation.....	614,464	701,507	650,341	688,049	777,639	791,723	757,313	782,467	1,417,905	1,170,948
Library.....	1,785,959	1,754,970	2,224,813	2,301,368	2,271,179	2,236,426	2,232,506	2,499,339	2,526,667	2,257,163
Teachers pension benefits - state funded (see note below).....	-	-	-	-	5,329,843	5,909,834	5,124,471	5,788,693	6,174,123	6,912,222
Employee benefits and insurances.....	4,658,406	5,131,029	4,192,725	4,145,000	4,214,883	4,784,500	6,448,205	7,732,966	8,348,890	8,913,374
Capital outlay.....	4,664,495	4,528,161	1,732,795	1,168,461	1,514,577	4,707,429	18,369,686	19,537,019	6,930,073	6,129,829
State and county charges.....	940,333	1,014,669	976,522	994,316	1,010,052	1,019,278	1,021,764	1,000,627	1,041,780	989,645
Other.....	2,629,326	1,582,910	1,344,347	1,269,186	951,415	1,087,421	880,720	1,672,448	1,044,073	1,504,964
Debt service.....										
Principal.....	2,625,000	2,467,593	2,721,000	3,295,000	3,577,843	3,928,958	4,290,000	2,685,000	3,110,000	3,750,000
Interest.....	643,015	848,741	790,002	776,478	512,024	403,392	1,177,308	1,520,180	1,279,274	1,679,941
Total Expenditures.....	58,457,192	62,473,968	61,398,670	64,214,682	72,832,129	81,087,943	99,628,011	110,943,583	97,009,116	101,130,370
Excess of revenues over (under) expenditures.....	(4,960,285)	(5,165,904)	(1,608,800)	(2,875,684)	(1,648,299)	(5,112,589)	(19,428,944)	(23,232,055)	(1,741,265)	(8,870)
Other Financing Sources (Uses)										
Proceeds from bonds and notes.....	4,388,000	-	-	-	-	18,400,000	-	5,510,000	15,660,000	17,290,000
Premium from issuance of bonds.....	-	-	-	-	-	-	-	-	513,602	199,649
Sale of land.....	-	-	-	-	1,100,000	-	-	-	-	-
Transfers in.....	1,515,703	2,901,327	1,985,600	2,472,000	1,700,000	2,976,124	3,035,594	3,217,220	2,641,000	1,663,932
Transfers out.....	(605,080)	(912,000)	(905,000)	(446,500)	(3,048,533)	(2,085,005)	(921,094)	(2,217,220)	(1,641,000)	(663,932)
Total other financing sources (uses).....	5,298,623	1,989,327	1,080,600	2,025,500	(248,533)	19,291,119	2,114,500	6,510,000	17,173,602	18,489,649
Net change in fund balance.....	\$ 338,338	\$ (3,176,577)	\$ (528,200)	\$ (850,184)	\$ (1,896,832)	\$ 14,178,530	\$ (17,314,444)	\$ (16,722,055)	\$ 15,432,337	\$ 18,480,779
Debt service as a percentage of noncapital expenditures.....	6.08%	5.72%	5.88%	6.46%	5.73%	5.67%	6.73%	4.60%	4.87%	5.72%

Notes:

Fiscal years 1996 through 2002 exclude Expendable and Nonexpendable Trust Funds which were reported under the pre-GASB 34 format.
In fiscal year 2000, the on-behalf payments by the Commonwealth for teachers pension benefits were reported for the first time.

Town of Wellesley, Massachusetts
Assessed Value and Actual Value of Taxable Property by Classification and Tax Rates
Last Ten Fiscal Years

Fiscal Year	Assessed and Actual Values and Tax Rates									
	Residential Value	Residential Tax Rate	Residential % of Total Value	Commercial Value	Industrial Value	Personal Property	Total Commercial Value	Commercial Tax Rate	Commercial % of Total Value	Total Town Value
1996	(1) \$2,916,516,200	11.61	86.01%	\$440,310,820	\$4,116,100	\$29,823,600	\$474,250,520	11.61	13.99%	\$3,390,766,720
1997	\$3,558,431,000	10.04	87.70%	\$465,706,100	\$6,442,000	\$27,051,000	\$499,199,100	10.04	12.30%	\$4,057,630,100
1998	\$3,677,517,000	10.03	87.42%	\$493,285,500	\$4,757,000	\$31,017,000	\$529,059,500	10.03	12.58%	\$4,206,576,500
1999	(1) \$3,864,867,000	9.86	86.56%	\$556,955,000	\$4,916,000	\$38,390,000	\$600,261,000	9.86	13.44%	\$4,465,128,000
2000	\$4,198,292,000	9.50	86.89%	\$588,887,000	\$5,011,000	\$39,364,300	\$633,262,300	9.50	13.11%	\$4,831,554,300
2001	\$4,757,723,000	8.85	86.53%	\$691,499,999	\$5,421,000	\$43,969,500	\$740,890,499	8.85	13.47%	\$5,498,613,499
2002	(1) \$5,776,391,000	8.10	86.62%	\$832,118,000	\$6,096,000	\$54,259,100	\$892,473,100	8.10	13.38%	\$6,668,864,100
2003	\$6,406,545,000	8.12	89.11%	\$721,380,000	\$5,297,000	\$56,051,200	\$782,728,200	8.12	10.89%	\$7,189,273,200
2004	\$6,687,379,000	8.56	89.84%	\$688,831,000	\$5,428,000	\$62,123,900	\$756,382,900	8.56	10.16%	\$7,443,761,900
2005	\$7,073,527,000	8.40	89.58%	\$753,855,000	\$5,896,000	\$62,710,000	\$822,461,000	8.40	10.42%	\$7,895,988,000



(1) Revaluation year.

Source: Assessor's Department, Town of Wellesley

All property in the Commonwealth of Massachusetts is assessed at 100% of fair cash value.

Note: Chapter 59, Section 21C of the Massachusetts General Laws, known as "Proposition 2 1/2", imposes 2 separate limits on the annual tax levy of the Town. The primary limitation is that the tax levy cannot exceed 2 1/2 percent of the full and fair cash value.

The secondary limitation is that the tax levy cannot exceed the maximum levy limit for the preceding fiscal year as determined by the State Commissioner of Revenue by more than 2 1/2 percent, subject to an exception for property added to the tax rolls and for certain substantial valuation increases other than as part of a general revaluation. The secondary limit may be exceeded in any year by a majority vote of the voters, however it cannot exceed the primary limitation.

Town of Wellesley, Massachusetts
Principal Taxpayers
Current Year and Nine Years Ago

Name	Nature of Business	2005			1996		
		Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Value
Haynes Management	Office Buildings	\$118,627,000	1	1.59%	-	-	-
Beacon Properties	Office Buildings	\$118,129,000	2	1.59%	\$46,585,000	2	1.41%
Sun Life Assurance	Office Buildings	\$71,652,000	3	0.96%	\$41,607,000	3	1.26%
Wellesley College	Education/Residential	\$63,500,000	4	0.85%	\$56,100,000	1	1.69%
Harvard Pilgrim	Office Buildings	\$51,471,000	5	0.69%	-	-	-
Diehl's	Lumber Yard/Real Estate	\$47,472,000	6	0.64%	-	-	-
Hunnewell Family	Residential	\$32,440,000	7	0.44%	-	-	-
Newton Wellesley Executive Office Park	Office Buildings	\$23,180,000	8	0.31%	-	-	-
GPT Realty Trust	Residential	\$22,746,000	9	0.31%	-	-	-
Grignaffini & Suns	Real Estate Development	\$19,114,000	10	0.26%	-	-	-
Wellesley Holdings L. P.	Office Buildings	-	-	-	\$21,046,000	4	0.64%
Babson College	Education/Residential	-	-	-	\$40,439,900	5	0.62%
Walnut Street Trust	Office Buildings	-	-	-	\$13,291,000	6	0.40%
Wellesley Executive Office Partners	Office Buildings	-	-	-	\$11,939,000	7	0.36%
William Diehl Realty Trust	Commercial/Office	-	-	-	\$11,377,000	8	0.34%
Haymac Trust	Office Buildings	-	-	-	\$11,290,000	9	0.34%
John D. Murphy et al	Commercial Property	-	-	-	\$10,713,000	10	0.32%
Totals		<u>\$568,331,000</u>		<u>7.64%</u>	<u>\$264,387,900</u>		<u>7.38%</u>

Source: Assessor's Department, Town of Wellesley

**Town of Wellesley, Massachusetts
Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year		(2) Total Tax Levy	Less Abatements & Exemptions	(2) Net Tax Levy	First Year Current Tax Collections	Percent of Net Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Net Tax Levy
1996	(1)	\$39,203,306	\$769,420	\$38,433,886	\$38,196,351	99.4%	\$221,565	\$38,417,916	99.96%
1997		\$40,738,606	\$523,616	\$40,214,990	\$40,024,770	99.5%	\$171,521	\$40,196,291	99.95%
1998		\$42,191,962	\$350,282	\$41,841,680	\$41,601,320	99.4%	\$233,399	\$41,834,719	99.98%
1999	(1)	\$44,026,162	\$326,055	\$43,700,107	\$43,490,112	99.5%	\$196,447	\$43,686,559	99.97%
2000		\$45,899,766	\$298,956	\$45,600,810	\$45,305,790	99.4%	\$292,531	\$45,598,321	99.99%
2001		\$48,661,845	\$298,938	\$48,362,907	\$47,900,000	99.0%	\$452,787	\$48,352,787	99.98%
2002	(1)	\$54,017,799	\$300,763	\$53,717,036	\$53,200,000	99.0%	\$449,394	\$53,649,394	99.87%
2003		\$58,376,899	\$308,595	\$58,068,304	\$57,500,000	99.0%	\$502,432	\$58,002,432	99.89%
2004		\$63,718,602	\$316,357	\$63,402,245	\$62,843,022	99.1%	\$482,833	\$63,325,855	99.88%
2005		\$66,326,299	\$300,410	\$66,025,889	\$65,215,885	98.8%	\$164,911	\$65,380,796	99.02%



Source: Assessor's Department, Town of Wellesley

(1) Revaluation year.

(2) Includes tax liens.

Town of Wellesley, Massachusetts
Ratios of Outstanding Debt and General Bonded Debt
Last Ten Fiscal Years

Fiscal Year	U. S. Census Population	Personal Income	Assessed Value	Governmental Activities Debt				
				General Obligation Bonds	Capital Leases	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	26,809	1,333,936,922	\$3,390,766,720	\$17,858,000	\$0	\$666	1.34%	0.53%
1997	26,795	1,360,449,309	\$4,057,630,100	\$15,440,000	\$0	\$576	1.13%	0.38%
1998	26,789	1,387,902,729	\$4,206,576,500	\$13,075,000	\$0	\$488	0.94%	0.31%
1999	26,663	1,409,566,158	\$4,465,128,000	\$10,720,000	\$0	\$402	0.76%	0.24%
2000	26,613	1,435,061,315	\$4,831,554,300	\$8,145,000	\$0	\$306	0.57%	0.17%
2001	26,632	1,464,807,575	\$5,498,513,500	\$24,510,000	\$0	\$920	1.67%	0.45%
2002	26,658	1,495,562,374	\$6,668,864,100	\$21,485,000	\$0	\$806	1.44%	0.32%
2003	26,628	1,523,756,906	\$7,189,273,200	\$24,310,000	\$0	\$913	1.60%	0.34%
2004	26,578	1,551,313,627	\$7,443,761,900	\$36,860,000	\$0	\$1,387	2.38%	0.50%
2005	26,515	1,578,589,151	\$7,895,988,000	\$50,400,000	\$0	\$1,901	3.19%	0.64%

Fiscal Year	Business-type Activities (1)		Total Primary Government			
	General Obligation Bonds	Capital Leases	Total Debt Outstanding	Per Capita	Percentage of Personal Income	Percentage of Assessed Value
1996	\$300,000	\$0	\$18,158,000	\$677	1.36%	0.54%
1997	\$200,000	\$0	\$15,640,000	\$584	1.15%	0.39%
1998	\$6,600,000	\$0	\$19,675,000	\$734	1.42%	0.47%
1999	\$6,060,000	\$0	\$16,780,000	\$629	1.19%	0.38%
2000	\$5,620,000	\$0	\$13,765,000	\$517	0.96%	0.28%
2001	\$5,180,000	\$0	\$29,690,000	\$1,115	2.03%	0.54%
2002	\$4,980,000	\$0	\$26,465,000	\$993	1.77%	0.40%
2003	\$4,300,000	\$0	\$28,610,000	\$1,074	1.88%	0.40%
2004	\$3,985,000	\$0	\$40,845,000	\$1,537	2.63%	0.55%
2005	\$3,694,954	\$0	\$54,094,954	\$2,040	3.43%	0.69%

(1) Municipal Light Plant, Sewer Fund, and Water Fund
Source: Audited Financial Statements, U. S. Census

Town of Wellesley, Massachusetts
Direct and Overlapping Governmental Activities Debt

As of June 30, 2005

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
<u>Town of Wellesley, Massachusetts</u>			
Debt repaid with property taxes:			
Norfolk County.....	\$ 1,500,000	8.11%	\$ 121,650
Town direct debt.....			<u>50,400,000</u>
Total direct and overlapping debt.....			<u>\$ 50,521,650</u>

Source: Assessor's Department, Town of wellesley

Town of Wellesley, Massachusetts
Computation of Legal Debt Margin
Last Ten Fiscal Years

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Equalized Valuation	<u>\$3,914,149,200</u>	<u>\$3,914,149,200</u>	<u>\$4,279,350,300</u>	<u>\$4,279,350,300</u>	<u>\$4,279,350,300</u>	<u>\$5,266,642,800</u>	<u>\$5,266,640,800</u>	<u>\$7,153,728,900</u>	<u>\$7,153,728,900</u>	<u>\$8,211,971,900</u>
Debt Limit -5% of Equalized Valuation.....	\$195,707,460	\$ 195,707,460	\$ 213,967,515	\$ 213,967,515	\$ 213,967,515	\$ 263,332,140	\$ 263,332,040	\$ 357,686,445	\$ 357,686,445	\$ 410,598,595
Less:										
Outstanding debt applicable to limit.....	\$14,398,000	\$12,326,000	\$10,307,000	\$8,298,000	\$6,339,000	\$22,780,000	\$20,101,000	\$23,272,000	\$22,398,000	\$32,559,000
Authorized and unissued debt.....	<u>\$9,750,000</u>	<u>\$8,200,000</u>	<u>\$4,285,000</u>	<u>\$9,290,000</u>	<u>\$6,961,650</u>	<u>\$17,745,000</u>	<u>\$36,445,000</u>	<u>\$28,285,000</u>	<u>\$11,375,000</u>	<u>\$20,457,974</u>
Legal debt margin.....	<u>\$171,559,460</u>	<u>\$175,181,460</u>	<u>\$199,375,515</u>	<u>\$196,379,515</u>	<u>\$200,666,865</u>	<u>\$222,807,140</u>	<u>\$206,786,040</u>	<u>\$306,129,445</u>	<u>\$323,913,445</u>	<u>\$357,581,621</u>
Total debt applicable to the limit as a percentage of debt limit.....	12.34%	10.49%	6.82%	8.22%	6.22%	15.39%	21.47%	14.41%	9.44%	12.91%

**Town of Wellesley, Massachusetts
Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population Estimates	Personal Income	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
1996	26,809	\$ 1,333,936,922	\$49,757	37.6	3,329	1.50%
1997	26,795	\$ 1,360,449,309	\$50,773	37.6	3,565	1.40%
1998	26,789	\$ 1,387,902,729	\$51,809	37.6	3,517	1.40%
1999	26,663	\$ 1,409,566,158	\$52,866	37.6	3,564	1.30%
2000	26,613	\$ 1,435,061,315	\$53,923	37.6	3,685	0.80%
2001	26,632	\$ 1,464,807,575	\$55,002	37.6	3,773	2.40%
2002	26,658	\$ 1,495,562,374	\$56,102	37.6	3,865	3.00%
2003	26,628	\$ 1,523,756,906	\$57,224	37.6	4,016	2.80%
2004	26,578	\$ 1,551,313,627	\$58,368	37.6	4,171	3.40%
2005	26,515	\$ 1,578,589,151	\$59,536	37.6	4,312	3.00%

Town of Wellesley, Massachusetts
Principal Employers (excluding the Town)
Current Year and Nine Years Ago

Employer	Nature of Business	2005			1996		
		Employees	Rank	Percentage of Total Town Employment	Employees	Rank	Percentage of Total Town Employment
Sun Life of Canada	Insurance Company	1900	1	15.38%	1100	2	8.28%
Wellesley College	College	1500	2	12.15%	1250	1	9.41%
Babson College	College	750	3	6.07%	623	3	4.69%
Accenture	Management Consulting	700	4	5.67%	-	-	-
Harvard Pilgrim Health Care	HMO	490	5	3.97%	375	4	2.82%
Roche Brothers	Grocery	254	6	2.06%	-	-	-
Mass Bay Community College	College	250	7	2.02%	201	9	1.51%
Dana Hall School	Private School	236	8	1.91%	150	10	1.13%
Watson Wyatt Worldwide	Actuary	200	9	1.62%	230	7	1.73%
Amica Mutual Life	Insurance Company	165	10	1.34%	229	8	1.72%
Eastman Kodak	Photography Equipment	-	-	-	275	5	2.07%
Filene's Basement	Department Store Headquarters	-	-	-	275	6	2.07%

According to the Massachusetts Division of Employment Security Data, in March 2005 the town had a total labor force of 12,727, of whom 12,350 were employed and 377 or 2.9% were unemployed.

Source: Massachusetts Department of Employment and Training

Town of Wellesley, Massachusetts
Full-time Equivalent Town Employees by Function
Last Ten Fiscal Years

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
General government.....	46	51	53	49	48	57	58	47	47	51
Public safety.....	114	114	115	115	112	114	114	110	109	110
Public education.....	577	583	573	563	565	591	607	624	629	659
Public works.....	92	79	86	84	83	77	85	81	81	81
Health and Sanitation.....	5	5	5	5	5	4	4	4	4	4
Library.....	20	23	24	29	28	32	31	31	31	27
Recreation.....	5	5	5	5	5	5	5	6	6	6
Water/Sewer.....	25	25	25	25	25	25	25	25	26	25
Electric light.....	30	38	37	32	34	34	36	34	34	33
Total	<u>914</u>	<u>923</u>	<u>923</u>	<u>907</u>	<u>905</u>	<u>939</u>	<u>965</u>	<u>962</u>	<u>967</u>	<u>996</u>

Source: Various Town Departments

Town of Wellesley, Massachusetts
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
General Government										
New home building permits.....	28	25	22	25	21	53	36	43	50	83
Police										
Physical arrests.....	404	294	323	425	267	234	281	343	430	375
Motor vehicle violations.....	4,077	3,958	5,199	8,362	8,803	7,257	8,369	7,726	10,046	8,183
Police personnel and officers.....	54	56	55	55	52	56	54	57	57	57
Fire										
Inspections.....	2,516	n/a	2,518	2,408	2,408	2,486	2,487	2,487	2,529	2,565
Emergency responses.....	3,529	3,662	3,562	3,951	3,951	4,332	3,821	4,322	4,380	4,019
Fire personnel and officers.....	60	58	60	60	60	58	60	61	61	61
Education										
Number of public school students.....	3,329	3,565	3,517	3,564	3,685	3,773	3,865	4,016	4,171	4,312
Health and sanitation										
Number of vaccinations.....	2,327	2,467	2,736	2,775	2,904	2,975	1,881	1,705	1,550	1,640
Library										
Volumes in circulation.....	456,750	469,450	450,913	453,673	449,765	451,765	207,255	323,997	525,246	557,402
Recreation										
Total program revenue.....	\$384,579	\$443,206	\$440,574	\$469,366	\$497,496	\$431,090	\$373,669	\$421,108	\$654,170	\$843,347
Traffic and parking management										
Total ticket revenue.....	\$266,573	\$273,879	\$279,565	\$261,890	\$272,975	\$302,320	\$334,548	\$375,899	\$291,106	\$344,554
Sewer										
Number of accounts.....	7,749	7,731	7,758	7,879	n/a	7,716	7,970	7,994	8,003	8,053
Feet rodded/flushed.....	172,475	234,772	289,633	289,542	n/a	230,830	198,388	187,670	234,670	295,470
Water										
Number of accounts.....	9,461	9,707	9,963	10,421	n/a	10,525	10,955	11,094	11,204	11,368
Consumption in gallons (millions).....	n/a	889	1,001	966	1,029	1,057	964	877	815	811
Daily consumption (millions).....	n/a	2.44	2.74	2.65	2.82	2.89	2.64	2.40	2.23	2.22

Source: Various Town Departments

N/A: Information not available

Town of Wellesley, Massachusetts
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General Government										
Number of Buildings.....	4	4	4	4	4	4	4	4	3	3
Police										
Number of Stations.....	1	1	1	1	1	1	1	1	1	1
Fire										
Number of Stations.....	2	2	2	2	2	2	2	2	2	2
Education										
Number of elementary schools.....	6	6	6	6	6	6	6	6	7	7
Number of middle schools.....	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets to maintain (miles).....	110	110	110	110	110	110	110	110	110	110
Sidewalks to maintain (miles).....	110	110	110	110	110	116	118	118	118	118
Library										
Buildings.....	3	3	3	3	3	3	3	3	3	3
Recreation										
Park and playground (acreage).....	268	268	268	268	268	268	268	268	268	365
Feet of public beach front.....	660	660	660	660	660	660	660	660	660	660
Public beaches.....	1	1	1	1	1	1	1	1	1	1
Tennis courts.....	66	66	66	66	66	66	66	66	66	66

Source: Various Town Departments